

SENATE OF VIRGINIA

Senate Finance Committee

**Conference Report on
SB 800/HB 1400
2014-16 Biennial Budget**

February 25, 2015



SENATE FINANCE COMMITTEE

Resources in Conference Report

- Resources include \$83.3 million of tax policy actions – \$31 million less than the \$114.3 million assumed in the budget as introduced
- Reduces fee increases from \$12.8 million in FY 2016 to \$1.9 million – **all fee reductions in Senate budget retained in Conference report.**
- Adjusts biennial revenue forecast by \$520 million.
- Additional revenue targeted to the following:
 - Compensation increases for ALL employee groups (teachers, state-supported locals, state employees, and faculty).
 - Sets-aside \$129.5 million GF for a future Rainy Day Fund deposit.
 - Eliminates the \$30 million GF Aid-to-Localities reversion clearing account.
 - Provides \$32.3 million GF to pre-pay a portion of the state’s obligation to fully fund the board-approved rate for the Virginia Retirement System, and
 - Provides \$141.4 million GF in **one-time cash** for high priority capital outlay projects.



Conference Report Amended 2014-16 GF Budget

(GF, \$ in millions)			
	<u>FY 2015</u>	<u>FY 2016</u>	<u>2014-16</u>
Resources: SB 800, as introduced	\$18,216.0	\$18,261.2	\$36,477.2
Conference Adjustments	271.4	260.8	532.2
Available Resources	\$18,487.4	\$18,522.0	\$37,009.4
Appropriations: SB 800, as intro.	\$18,093.5	\$18,376.1	\$36,469.6
Conference: Operating	146.8	246.7	393.4
Conference: Capital Outlay	0.0	141.4	141.4
Total Appropriations	\$18,240.3	\$18,764.2	\$37,004.4
Unappropriated Balance	\$247.2	(\$242.1)	\$5.0



Tax Policy Actions Reflected in Budget

<i>(dollars in millions)</i>	<u>SB 800</u>	<u>Conf.</u>	GF <u>Impact</u>
<u>Legislation/Action</u>			
Coalfield Employment and Production (failed)	\$ 5.2	\$0.0	\$5.2
Coalfield Employment and Enhancement (failed)	14.7	0.0	14.7
Sales tax for online travel companies (failed)	1.7	0.0	1.7
Reduce LT care ins. premium deduction (failed)	9.4	0.0	9.4
Repeal subtraction for sale of open space land	0.5	0.5	0.0
Combine sales tax holidays	2.6	2.6	0.0
Land Preservation Tax Credit Modification	22.4	22.4	0.0
Accelerated Sales Tax to \$2.5 million threshold	57.8	57.8	0.0
Sunset date extension for admissions tax in Stafford Co.	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total	\$114.3	\$83.3	\$31.0



Fee Increases

(FY 2016 Amounts)

Reversed or Modified	<u>SB 800</u>	<u>Conf</u>	<u>GF Impact</u>
Ag&Consumer Services - Food Establishment Inspections	\$ 400,000	\$ -	\$ 400,000
Ag&Consumer Services - \$10 per device for Weights and Measures	500,000	-	500,000
Roanoke Higher Ed Center - Charge a Parking Fee (SFC: Reduce by half)	8,400	4,100	4,100
SW Va Higher Ed Center - Fee for STEM workshops	5,000	-	5,000
TAX Department - \$12 fee/roll of tobacco stamps	221,568	-	221,568
TAX/DCR - Increase t'fer fee for Land Pres. Tax Credit from 1 to 2% of value	1,350,000	-	1,350,000
Health Dept - Restaurant Inspection Fee (Partial NGF offset)	6,878,620	-	3,783,241
BHDS - \$15 fee for on-line training for CSBs and providers	117,000	-	117,000
BHDS - New licensing fee for local service providers	947,000	-	947,000
Marine Resources - Increase Saltwater Fishing license fees	550,000	-	550,000
No action			
Consolidated Labs - Commercial lab certification fees	250,000	250,000	n/a
Consolidated Labs - Charge Lottery for entire cost of lab testing	89,250	89,250	n/a
TAX \$5 fee for duplicate tax return	17,000	17,000	n/a
Health Dept - Charge external agencies for copies of pathology reports	200,000	200,000	n/a
BHDS - Admin fee for background checks	138,024	138,024	n/a
DSS - Increase fee for Child Protective Services registry checks from \$7 to \$10	225,000	225,000	n/a
DSS - Increase fee for national background checks from \$50 to \$60	82,000	82,000	n/a
DCR - Increases several state park fees; rebate to in-state residents	870,144	870,144	n/a
DEQ - Class A Biosolids fee of \$3.75 per ton	<u>TBD</u>	<u>TBD</u>	<u>n/a</u>
	\$12,849,006	\$1,875,518	\$7,877,909



Compensation Actions

- Includes \$64.5 million GF for a **two percent** salary increase for state employees, reflected in their September 1, 2015 paychecks, **plus**:
 - For those employees with at least five years of continuous state service, an additional **\$65 per year** (up to 30 years), and
 - For sworn officers with at least three years of continuous state service, an additional **\$80 per year** (up to 30 years).
- Provides \$13.3 million GF for a **two percent** adjustment for state-supported local employees.
- Includes \$52.9 million GF for the state's share of a **1.5 percent** increase for teachers.
- Funds \$14.4 million GF for a **2 percent** faculty salary increase at **all** Virginia's public colleges and universities.



Special Compensation Actions

- In addition to the adjustments detailed above, the following special compensation actions are included in the Conference Report:
 - Provides \$3.7 million GF to allow Virginia State Police to begin phasing in a plan to address salary compression.
 - Funds \$7.0 million GF for a \$1,000 adjustment to base pay for correctional officers, to help stem high turnover.
 - Includes \$3.8 million GF for an additional 2 percent adjustment for 17 classes of high turnover employees, such as direct care providers in mental health facilities and court clerks.
 - Provides \$1.2 million GF under the Compensation Board for a base pay adjustment for entry level deputy sheriffs and regional jail officers to raise starting salaries.



K12 Public Education

Key GF Changes to SB 800 As Introduced

Key Conference GF Amendments to Direct Aid	FY 2016 (\$ in millions)
State's share of a 1.5% teacher salary increase; flexible local effective date; FY 15 revenue contingency provisions	\$52.9
VRS: GF savings from 14.06% rate, due to <u>+\$42.9M</u> one-time payment (from Lit. Fund unclaimed property stock sale)	(2.8)
Literary Fund: On-going forecast increase, to offset GF	(25.0)
Re-direct \$25.0 million proposed for interest rate subsidy (\$2.9M for additional school construction loans; \$2.9M to additional VRS payment)	(19.2)
Sales tax for public education due to revised forecast	8.2
Targeted extended school year incentive	4.8
Replicate urban teacher residency programs (Petersburg, Norfolk)	0.5
\$537,297 additional for school breakfast (flexibility for "Breakfast After the Bell" pilots in certain elementary schools or existing models)	Pilot



K12 Public Education

Other GF Changes to SB 800 As Introduced

Other Conference GF Amendments to Direct Aid	FY 2016 (\$ in millions)
Virginia Early Childhood Foundation	\$250,000
Five High School Innovation Competitive Grants	250,000
Virtual Virginia (DOE) – additional teachers and seats	250,000
STEAM Academy	100,000
Northern Neck Career and Technical Education Center	60,300
Southside VA Regional Technology Consortium	50,000
Fund Project Discovery at FY 14 level of \$400,000	(275,000)
	FY 2015
Technical Adjustments: Norton; Linwood Holton Governor’s School	161,437



Direct Aid to Public Education

Summary

- Introduced budget primarily reflected additional NGF revenue from the Literary Fund and Lottery Proceeds and routine technical updates, including slower than projected enrollment growth, sales tax, and other participation data.
 - **Conference:** \$52.8 million, state's share of 1.5 percent teacher and school support staff salary increase (includes increase in Governor's School per pupil amount), flexible local effective date; contingent on meeting FY 2015 forecast.
- Unclaimed property/Literary Fund.
 - Introduced budget proposed a one-time payment of \$150.0 million to VRS to help address the unfunded liability; and capture \$10.4 million GF savings by applying a lower teacher retirement employer contribution rate.
 - **Conference:** Adds \$42.9 million to the one-time payment, and saves another \$2.9 million (based on an employer contribution rate of 14.06 percent). (Balance to be repaid over remaining six years is reduced from \$506.1 million to \$313.2 million.)
 - \$52.9 million for VPSA school construction loans.
 - \$25.0 million to offset GF costs for SOQ retirement
 - **Conference:** Offsets another \$25.0 million GF (on-going forecast) and \$19.2 million GF, by re-directing funds proposed for interest rate subsidy (school construction).



Targeted Extended School Year To Improve Student Achievement

- Adds \$4.75 million (for a total of \$7.15 million in FY 16, plus \$613,312 for planning grants of up to \$50,000 each) to encourage school divisions with schools that may benefit most from adding additional instructional days distributed throughout the year to do so, consistent with the findings of the JLARC Review of Year Round Schools.
 - Start-up grants of \$300,000 per school, with a required local match of 20 percent (\$400,000 for schools that were Denied Accreditation, no match) for a three-year period to establish extended school year programs; state's share of on-going funding beyond the initial period.
 - Adds evaluation and reporting provisions.
 - To date, about 30 schools in 13 school divisions either have such programs, been awarded planning or start-up grants, or expressed interest.
 - In addition to existing programs in 11 schools in Bristol, Henrico, Loudoun, Lynchburg, and Richmond -- in FY 2015, Petersburg, Galax and Henrico received start-up grants to begin extended school year programs in six schools for the 2014-15 school year; Roanoke also received a start-up grant for three schools; and Harrisonburg, Manassas Park, and Radford received planning grants for nine schools.



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

- Introduced budget proposed allocation of unused but appropriated funds to school divisions with waiting lists (instead of sweeping end-of-year balances that may exist, even after assumed non-participation).
 - **Conference:** Maintains Senate position directing year-end balances to be offered for start-up or expansion grants, with priority to expanding partnerships with non-profit or for-profit providers, as is currently authorized, but not widely done.
- Maintains \$3.5 million in FY 16 for “hold harmless” slots. Reduces FY 16 increase by \$2.9 million due to updated lower kindergarten enrollment levels.
 - **FY15:** \$68.3 million **FY 16:** \$72.0 million
- Adds \$1.0 million to begin statewide kindergarten assessment.
- **Other Related Conference Actions:**
 - Appropriates \$17.5 million federal grant funds.
 - **Joint Subcommittee on VPI:** On accountability, flexibility, innovation, and partnerships; and a competency-based professional development framework.
 - **Student Eligibility:** Specifies that student eligibility for VPI will be consistent with the program guidelines and family income of no more than 200 percent of poverty, or 350 percent for students with special needs or disabilities.



Direct Aid to Public Education

Other Conference Language Amendments

- Directs the Commission on Local Government to determine an appropriate calculation for additional state funds for local consolidations going forward (no change to status of previous consolidations).
 - In the meantime, removes reference to “Composite Index”-based formula for new consolidations. (Recommendations of September 2014 JLARC report.)
- Directs DOE to survey school divisions regarding their interest in using educational technology grants for lease expenditures.
- Expands the type of equipment school divisions can purchase with supplemental educational technology funds from just tablets to also include laptops.
- Requests DPB to develop a matrix of best practices and common recommendations from the School Efficiency Reviews conducted to date.
- States the intent of the General Assembly not to create an expectation of backfilling when federal funds may be reduced.
 - *No language in the budget on Common Core or directing the Board of Education to submit school report card design to education committee chairs for final approval.*



Department of Education

FY 2016	SB 800, As Intro.	Conf. Amend.	Conf. Total
Kindergarten readiness assessment (UVA)		\$1,000,000	\$1,000,000
Principal training for under-performing schools	713,000		713,000
Expedited SOL retakes in grades 3 thru 8	200,000		200,000
Computer Adaptive Testing – grade 7 and 8 math	732,000		732,000
Positions to support academically struggling divisions and IT security	572,976	121,968	694,944
Prof. dev.- teachers/principals on high-needs students		366,000	366,000
Eliminate digital content contract	(500,000)		(500,000)
Restore Education Comm. of the States Dues (in Leg.)	0	91,800	91,800
Other (Central Appropriations) reductions	(373,834)		(373,834)
Redesign school performance report card		75,000	75,000
Study of teacher turnover (SJ218)		23,000	23,000



Overview of Higher Education

- Governor's proposed amendments for the 2014-2016 biennium included **increases of about \$10.1 million GF** as compared to Chapter 3 and the **Senate amendments added funding in higher education and in central appropriations for higher education of about \$19.2 million GF.**
- **Conference agreement provides amendments of over \$41.0 million in higher education and in central appropriations.** The agreement largely included both the Senate and House spending for this area.
 - Provides funding of **\$14.4 million GF for a 2% faculty salary increase.**
 - Includes **\$20.5 million GF for operations, enrollment growth, or institution-specific initiatives.**
 - Provides **an additional \$5.4 million GF** in FY 2016 for additional need-based undergraduate financial aid (**for a total of \$8.9 million**), \$650,000 GF for the Two-Year Transfer Grant, and an additional \$600,000 GF for a Transfer Grant Incentive at select institutions.
 - **No additional reductions were recommended.** The reductions of \$45.0 million GF per year for the higher education institutions included in Chapter 3 were distributed by agency in the introduced budget. The other higher education-related agencies received reductions in Chapter 3 of 5% in FY 2015 and 7% in FY 2016 (except for the extensions and VIMS). **A restoration of 2% in FY 2016 for the other higher education agencies is included in the conference amendments.**



HE Joint Subcommittee

- Language amendment creating a new Joint Subcommittee on the Future Competitiveness of Higher Education to:
 - a) review ways to maintain and improve the quality of higher education, while providing for broad access and affordability;
 - b) examine the impact of financial, demographic, and competitive changes on the sustainability of individual institutions and the system as a whole;
 - c) identify best practices to make the system more efficient, including shared services, institutional flexibility, and easily accessible academic pathways;
 - d) evaluate the use of distance education and online instruction across the Commonwealth and appropriate business models for such programs;
 - e) review current need-based financial aid programs and alternative models to best provide for student affordability and completion;
 - f) review the recommendations of the Joint Legislative Audit and Review Commission on the study of the cost efficiency of higher education institutions and make recommendations to their respective committees on the implementation of those recommendations;
 - g) study the effectiveness and value of transfer students;
 - h) evaluate the effectiveness of dual enrollment in reducing the cost of higher education; and
 - i) study the effectiveness of preparing teachers to enter the K-12 system.



HE Legislation Related to the Budget

- House legislation heard in the Subcommittee and discussed via the budget:
 - **HB 1895 – Level 2.5 Restructuring:** Provides additional financial and administrative authority to any public institution of higher education that has successfully operated under a memorandum of understanding for five years, with a process for those under that time level.
 - Bill is in conference with the agreement that it go to the Joint Subcommittee.
 - **HB 1896 – Virginia Guaranteed Assistance Program grants:** VGAP awards for eligible students would increase at each grade level, i.e., each eligible student would receive an award in an amount greater than the award of each eligible student with equivalent remaining need in the next-lowest class level.
 - Bill is in conference with the agreement that it go to the Joint Subcommittee.
 - **HB 1897 – Athletic Fee Bill:** Prohibits the combined sum of school funds and student fees used to support intercollegiate athletics programs from exceeding a certain percentage of athletics revenues.
 - Bill is in conference with the agreement for amendments with a delayed effective date, change in membership of the advisory committee, and an amendment related to UVA-Wise.



Summary of Proposed Amendments

GF Actions for the 2014-16 Biennium - (\$ in millions)			
Action/Initiative	SB 800	Conf. Amend	Total
SCHEV Transfer Grant/Transfer Grant Incentive	\$0	\$1.3	\$1.3
Undergraduate Need-Based Aid (including for certifications)	3.5	5.4	8.9
Base Operations/GMU Hylton/CWM Puller Vet. Clinic/UVA VHF /UMA	2.3	18.1	20.5
JLAB Ion Collider Project (\$3.7 million funded in Econ. Dev.)	4.2	(4.0)	0.3
SCHEV Operations	0	0.3	0.3
Research (UVA, VCU, ODU, GMU, VT & VIMS)	0	5.1	5.1
Faculty Salary Increase (2%)	0	14.4	14.4
UVA Helipad	0	0.3	0.3
Other/Technical	0.1	0.6	0.7
Subtotal	\$10.1	\$41.5	\$51.8
Virtual Library of Virginia/VA Women's Institute for Leadership	(0.9)	0.2	(0.8)
HE Centers/JLAB/EVMS 5% & 7% Reductions (restore 2% in FY 2016)	(3.9)	0.6	(3.2)
GRAND TOTAL	\$5.3	\$42.3	\$47.8



Capital Outlay Funding

Capital Outlay Amendments by Fund Type (\$ in millions)			
	SB 800	Conf. Amend	Total
General Fund Cash	\$0.0	\$141.4	\$141.4
VPBA/VCBA Tax-Supported Bonds	83.7	34.0	117.7
9 (c) Revenue Bonds	67.5	0	67.5
9 (d) Revenue Bonds	55.5	65.0	120.5
Nongeneral Fund Cash	<u>70.7</u>	<u>2.4</u>	<u>73.1</u>
Total	\$277.5	\$242.8	\$520.3

- \$28.0 million in VPBA bonds recommended in the introduced budget for local elections equipment has been eliminated.
- \$67.0 million in VPBA bonds has been allocated for the two Veterans Care Center projects and will be released when a federal matching grant is received.
- **\$141.4 million in GF cash** for project renovations (\$106.1 million), planning (\$14.3 million), maintenance reserve (\$9.5 million), and smaller items in higher education and natural resources.



Summary of HHR Amendments in the Conference Report

Conference Amendments - (General Fund \$ in millions)	
Behavioral Health	\$9.2
Intellectual and Developmental Disability Services	8.4
Medicaid Provider Payments	7.2
Health Care Safety Net	4.8
Services for People with Disabilities	2.8
Fee and Budget Restorations	7.8
All Other HHR Spending	<u>2.0</u>
TOTAL HHR Spending	\$42.2
Less: HHR Savings	(45.5)
Net General Fund Increase (Decrease)	(\$3.3)



A Healthy Virginia Initiatives

- The Conference Report modifies the Governor's Access Program (GAP) for the seriously mentally ill.
 - Covers about 21,600 individuals with serious mental illness with no potential for waiting lists.
 - Lowers the income level from 100 to 60 percent of poverty.
 - Allows anyone above the new income level, already enrolled, to maintain coverage until their renewal is up in one year.
 - Maintains the same limited medical benefits and behavioral health services as originally proposed.
- Maintains children's outreach efforts, FAMIS Coverage for state employees' children, and dental coverage for pregnant women.
- Eliminates funding for behavioral health homes.



Summary of Healthy Virginia Initiatives

Description	Introduced Budget (GF \$ in millions)	Conference (GF \$ in millions)
GAP for Seriously Mentally Ill - Coverage for 22,000	\$90.3	\$96.5
Children's Enrollment from Outreach - Coverage for 35,000	\$18.5	\$17.6
Dental Coverage for Pregnant Women - Benefits 45,000 women	\$1.9	\$1.9
FAMIS Coverage of State Employees' Children - Coverage for 5,000	\$2.4	\$2.4
Behavioral Health Homes	\$8.6	\$0
TOTAL	\$121.7	\$118.4



Behavioral Health Services

- The Conference Report provides an additional \$9.2 million GF, including:
 - \$3.0 million to create three additional Programs for Assertive Community Treatment (PACT) teams.
 - \$2.1 million for supportive housing for 150 individuals with mental illness.
 - \$2.0 million to improve access to child psychiatry and crisis response services.
 - \$1.8 million to add six additional Therapeutic Drop-Off Centers.
 - \$281,894 for direct care staff at the Commonwealth Center for Children and Adolescents to handle the increase in admissions due to mental health reforms.



Intellectual and Developmental Disability Services

- The Conference Report provides an additional \$8.4 million GF, including:
 - \$8.2 GF million for an initial investment in waiver rates to support the redesign of the Intellectual and Developmental Disabilities Waivers.
 - Increases the rates for skilled nursing, in-home residential, day support, pre-vocational, therapeutic consultation and congregate care services.
 - \$250,000 GF for the Greater Prince William ARC to support housing and supportive services for individuals transitioning from Northern Virginia Training Center.
- Reduces funding by \$1.9 million GF for additional Day Support Waiver slots and associated rental subsidies to expand independent living options.
 - Budget language requires a comprehensive report to the General Assembly on the redesign of the Intellectual and Developmental Disability Waivers.



Medicaid Provider Payments

- The Conference Report provides an additional \$7.2 million GF, including:
 - \$3.5 million GF to increase rates for personal care services by two percent for providers that assist the elderly and disabled living in their homes.
 - \$2.2 million GF to eliminate the policy of reducing emergency room physician fees due to non-emergency visits in Medicaid.
 - \$1.4 million GF for supplemental payments to Children’s Hospital of The King’s Daughters.
 - This is the only freestanding children’s hospital in Virginia, and has the highest Medicaid utilization of any hospital.
 - \$160,061 GF to hold-harmless a nursing facility from the recent change in payment methodologies.



Health Care Safety Net

- The Conference Report provides an additional \$4.8 million GF, including:
 - \$3.1 million GF for free clinics to expand services to 7,500 additional uninsured patients.
 - \$1.0 million GF for community health centers to increase the availability of health care services for the uninsured.
 - \$500,000 GF for the Virginia Health Care Foundation to add 13 medication assistance counselors across the state.
 - \$126,000 GF for the Health Wagon in Southwest Virginia.
 - \$34,500 GF for Pharmacy Connect to increase total funding to \$250,000.



Services for People with Disabilities

- The Conference Report provides an additional \$2.8 million GF, including:
 - \$1.0 million GF for the Vocational Rehabilitation Program to match \$3.7 million in additional federal funding to reduce wait lists for services.
 - \$750,000 GF to increase services for individuals with brain injury.
 - \$500,000 GF for the Long Term Employment Support Services (LTESS) program.
 - \$500,000 GF for the Public Guardianship and Conservatorship Program to serve an additional 100 individuals.
 - \$21,200 GF for equipment for the Radio Reading Services program for the blind and vision-impaired.



Social Services

- The Conference Report includes:
 - \$17.2 million NGF from the federal Child Care and Development Block Grant for licensing and background investigation staff due to legislative changes in child care regulation (final legislation is pending).
 - \$89,733 GF and \$1.0 million from TANF funds for a 2.5 percent increase in TANF benefit payments beginning January 1, 2016.
 - These benefits were last increased in 2000.
 - \$1.0 million from federal TANF funds to increase access to services provided by community action agencies.
 - \$25,000 from TANF funds for the Zion Innovative Opportunities Network, a job development program for at-risk youth.
 - \$3.2 million GF in net savings by eliminating the Foster Care to 21 initiative in the introduced budget.
 - Language is included for the Department of Social Services to report on efforts to increase adoptions and improve the transition of foster care youth to adulthood.



HHR Fee and Budget Restorations

- The Conference Report restores \$2.8 GF million in budget reductions from the introduced budget:
 - \$580,800 GF for Centers for Independent Living.
 - \$600,000 GF for personal assistance services for the disabled.
 - \$400,000 GF for Northern Virginia Family Services.
 - \$400,000 GF for Didlake Inc. to support vocational rehabilitation services.
 - \$364,943 GF for employment support services for the disabled.
 - \$215,500 GF for Pharmacy Connect, a medication assistance program.
 - \$200,000 GF for Youth for Tomorrow to support at-risk youth.
- Four fees were eliminated and \$5.0 million GF restored.
 - Eliminates \$285 restaurant permit fee, the new licensing fee on adult behavioral health providers, the tobacco tax stamp roll fee, and a provider training fee at the Department of Behavioral Health and Developmental Services.



Other HHR Spending Amendments

- Other HHR Amendments in the Conference Report include:
 - \$605,000 GF to fully fund the need for Part C Early Intervention Services for children with developmental delays.
 - \$400,000 GF to reimburse victims of forced sterilization under the Virginia Eugenical Sterilization Act.
 - \$250,000 GF for Hampton University Proton Beam Therapy.
 - \$225,000 GF for the Shellfish Sanitation Program.
 - \$200,000 GF for Medicaid Long-Term Care Pre-admission Screenings for children.
 - \$150,000 GF for consulting and legal fees associated with design of a provider assessment and certificate of public need workgroup.
 - \$123,056 GF to fully fund six security positions at the Virginia Center for Behavioral Rehabilitation.
 - \$25,000 GF to support the All-Payer Claims Database.



Provider Assessment

- The Conference Report includes language:
 - Directing the Secretary of Health and Human Resources to conduct an analysis and develop a plan with options for a hospital provider assessment or other supplemental payment programs for consideration by the General Assembly in the 2016 Session;
 - Requiring that options include a more limited provider assessment to support private teaching hospitals, and other supplemental payment programs that could benefit hospital systems;
 - Requiring the report be submitted by November 1, 2015 with specific details about the plan, including an estimate of the impact on each hospital;
 - Allowing the Secretary to work with federal agencies to ensure any plan or options proposed meet federal requirements; and
 - Provides \$150,000 GF for consulting and legal fees to develop the plan.



Language Amendments

- The Conference amendments include:
 - Elimination of Medicaid expansion language and restoration of the prohibition that no funding shall be expended for costs related to coverage of newly eligible individuals pursuant to the Affordable Care Act.
 - Removal of the “one employer” restriction on personal attendants.
 - Language directing a Joint Subcommittee of House Appropriations and Senate Finance to review the training centers closure process to ensure the appropriate community supports are in place for individuals transitioning from training centers and to evaluate the waiver redesign.
 - A review of the operations of Piedmont Geriatric and Catawba hospitals.
 - Transparency language regarding the budget and expenditures of Intellectual and Developmental Disability waiver services.
 - A workgroup to study the Certificate of Public Need Process.



HHR Savings

Conference Amendments (\$ in millions)	
Medicaid Forecast Adjustment	(\$21.9)
Revised Revenue Estimate for Tobacco Taxes	(\$8.5)
Net Reduction for Healthy Virginia Spending	(3.4)
Net Savings from Foster Care to 21 Elimination	(3.2)
Supplant Child Care Licensure Funding with Federal Funds	(2.7)
One-Year Delay in Hiring of New Local Eligibility Workers	(1.9)
Eliminate New Day Support Waiver Slots / Rental Subsidies	(1.9)
Supplant CHIP Funding with TANF	(1.0)
Lower Estimate for Centralized Eligibility Contract	<u>(1.0)</u>
TOTAL HHR Savings	(\$45.5)



Overview of Public Safety

- Restores \$4.0 million at State Police and addresses salary compression.
- Restores \$4.0 million for DOC to cover Hepatitis-C costs and to fill vacant correctional officer positions.
- Adds \$6.9 million for DOC for salary adjustments for correctional officers.
- Directs DOC to seek information on managed care models to reduce long-term growth in inmate medical costs, and consider alternative approaches.
- Restores \$804,000 and five scientist positions at Forensic Science.
- Adds \$360,000 and two positions to coordinate Search and Rescue operations at State Police and Emergency Management.
- Restores \$250,000 for maintenance of National Guard armories.



State Police

- Compensation plan includes \$3.7 million to address salary compression:
 - At least three years of service as of July 1, 2015;
 - No more than a seven percent increase for any employee (from this plan);
 - Approval of the plan by Secretary of Public Safety and Homeland Security; and,
 - Effective August 10, 2015 (September 1 paychecks).
- Restores \$3.3 million to reduce budget reductions (first year) and \$742,135 to fill 11 vacancies (second year) -- results in no reductions second year.
 - Currently 2,013 FTE sworn positions.
 - New trooper school with 100 slots beginning in May 2015.
 - The department should have essentially no vacancies in FY 2016.
- Provides \$400,000 to support the participation of Chesterfield County in the Med-Flight program serving Central Virginia.



Corrections

- Compensation plan includes \$6.9 million for a \$1,000 salary increase for each DOC correctional officer and correctional officer senior, effective August 10, 2015, for September 1 paychecks.
- Adds \$4.0 million to accommodate Senate and House amendments:
 - Filling vacant correctional officer positions in high-priority security posts; and,
 - Covering the anticipated costs for up to 50 inmates who are expected to meet the criteria for receiving the 12-week drug therapy for Hepatitis-C, at an estimated (discounted) cost of \$68,000 per inmate.
- Includes language directing DOC to issue a Request for Information for managed care models to reduce long-term growth in inmate medical costs, and to submit reports by July 1, 2016, on the costs and benefits of:
 - Shifting the financial risk of hospitalization to the private contractor; and,
 - Operating all inmate health services internally.



Criminal Sentencing Bills

Corrections Special Reserve Fund (Section 30-19.1:4, Code of Virginia)

Bill #	Patron	Subject	Conference
<i>Bills that have a revenue or expenditure impact</i>			
HB 1329	Ware	Out-of-state concealed handgun permits (GF revenue impact of \$100,000)	Revenue Page
HB 1666	Fowler	Restoration of firearms rights (1 FTE at State Police)	\$100,000

Bills with required deposit to the Corrections Special Reserve Fund

HB 1427	Lingamfelter	Felony homicide; overrules Court of Appeals (Woodard v Commonwealth)	\$50,000
HB 1493	Miller	Enticing with intent to commit certain felonies	\$50,000
HB 1702	DeSteph	Transfer of firearms from licensed dealer if not in inventory	\$50,000
HB 1807/SB1231	Herring/Reeves	Cigarettes; possession with intent to distribute	\$50,000
HB 1839	Robinson	Classification of Schedule I and II drugs	\$50,000
HB 1964/SB 1188	Hugo/Obenshain	Sex Trafficking (fiscal impact adjusted from \$50,000 to \$150,000)	\$150,000
HB 2040	Bell, R.B.	Prostitution; pandering	\$50,000
HB 2070/SB 1424	Gilbert/Norment	Ethics and Conflict of Interest Act	\$50,000
HB 2385	Gilbert	Possession of wireless telecommunications device by prisoner	\$50,000
SB 1056	Howell	Child Pornography	\$50,000
Total Required Deposit into Corrections Special Reserve Fund			\$600,000

Less: \$150,000 included in budget, as introduced	(150,000)
Amount added in budget amendment to Item 385 #2c (at page 170 of conference report)	<u>\$450,000</u>



ABC

- ABC profits to be transferred to general fund estimated at \$150.8 million in FY 2015 and \$148.2 million in FY 2016.
 - An increase of \$6.0 million in FY 2015 over the budget as introduced.
 - Total increase in revenues projected from ABC price increases in November 2014 is \$5.4 million in FY 2015 and \$9.5 million in FY 2016.
- ABC retains sufficient profits to begin replacing its financial and licensing management systems, upgrading in-store broadband and electrical circuitry to support new systems, and opening additional stores.
 - Language directs Secretary of Finance to chair an oversight committee to monitor progress towards implementing new IT systems.
- ABC will become an authority on July 1, 2018 (SB 1032 and HB 1776).
 - Will continue to be supported by VITA pending resolution of disentanglement.



Veterans Services

- Virginia Values Veterans (V3)
 - Adds \$474,000 GF and \$100,000 NGF (to account for donations) the second year for the V3 and the Virginia Transition Assistance Program (VTAP).
- Veterans Employment Incentives
 - Includes \$500,000 GF the second year for a new incentive program for Virginia businesses with 300 or fewer employees to hire veterans.
 - Must be employed full-time beginning on or after July 1, 2014, for at least one year, and be employed within one year of discharge from military service.
 - Grant of \$1,000 per veteran hired, up to \$10,000 per business per fiscal year.
- DVS Field Offices
 - Adds \$1.8 million GF and eight positions (includes two new field offices).
- Virginia War Memorial
 - Adds \$0.1 million and two positions to support the opening of new addition.



Judicial

- Provides funding for 405 judges, so that 34 vacancies (as specified in Item 50 #1c, at pages 11-12) may be filled as of July 1, 2015, including:
 - 16 Circuit Court judges;
 - Eight General District Court judges; and,
 - Ten J&DR District Court judges.
- Adds \$10.6 million GF the first year and \$8.2 million GF the second year for the Criminal Fund.
- Adds \$750,000 GF to the Virginia State Bar for the Virginia Legal Services Corporation, which funds legal aid.
 - Offsets lower collections of court fees, federal funding, and IOLTA revenues.
- Increases per diem for retired judges from \$200 to \$250.



Compensation Board

- Deputy Sheriffs' and Regional Jail Officers' Salaries
 - Adds \$1.2 million GF the second year to increase the salaries for entry-level Grade 7 deputies employed in sheriffs' offices, and entry-level grade 7 correctional officers employed by regional jails, by 4.63 percent, effective September 1, 2015. This funding, plus the two percent adjustment for all state-supported local employees, is sufficient to raise the minimum salary for these positions to \$31,009.
 - Eliminates proposed language which would have tied the entry-level salary to the maximum gross income level for a family of four for the federal Supplemental Nutrition Assistance Program, and mandating future local contributions to meet that level.
- Jail Per Diems
 - Adds \$13.8 million GF the first year to fund the projected cost of per diems for state- and local-responsible prisoners in regional and local jails.
 - Funding to cover the projected second year increase (at least \$13 million) is not included.



Collection of Delinquent Accounts

- The 2014 appropriation act included language to prohibit local Treasurers from charging contingency fees for collecting delinquent accounts, including fines, costs, forfeitures, penalties, and restitution, effective as of January 1, 2016.
 - The introduced budget eliminated that language.
- The conference report includes new language which grandfathers in the six local Treasurers who are currently involved in such collections, under contract with their Commonwealth's Attorneys, until June 30, 2018.
 - The language further requires that any excess collections, above costs, shall be split equally between the locality and the Literary Fund, as is the case when Commonwealth's Attorneys are responsible for the collections.



Local Fines and Fees

- Current language added in 2012 requires that one-half of the amounts by which local fines and fees (based on local ordinances) exceed 50 percent of total collections, are to be returned to the Literary Fund.
 - A report by the Inspector General recommended eliminating local fees from the calculations, and certain other changes.
- Language is included to adjust this process.
 - Local fees are removed from the calculation.
 - The requirement that all local collections be forwarded to the Supreme Court and then a portion returned to the locality is eliminated.
 - The threshold is adjusted from 50 to 65 percent.
 - The amount to be returned to the Literary Fund is phased-in over three years:
 - One-fourth of the excess over 65 percent in FY 2016;
 - One-third of the excess over 65 percent in FY 2017; and,
 - One-half of the excess over 65 percent in FY 2018.



Overview of Commerce and Trade

- Conference amendments for the Commerce & Trade Secretariat contain several actions that increase appropriations to the area by \$8.9 million GF compared to the introduced SB 800, and also restores \$1.6 million in proposed GF reductions.
 - Full funding for rehousing programs and additional capitalization to the Housing Trust Fund of \$4.0 million GF in each year.
 - Funding for the continued expansion of the Commonwealth Center for Advanced Manufacturing of \$1.5 million GF to support planning for the proposed Apprenticeship School and Centers for Excellence in its efforts to compete for a \$25.0 million EDA grant.
 - Targeted funding for the expansion of tourism initiatives, including:
 - Restores \$941,334 for the “See Virginia First” program,
 - Reinstates \$250,000 to restore 50% of funding for the Sports Hall of Fame,
 - Provides \$475,000 for the Southwest Virginia Cultural Heritage Center, and
 - Provides \$200,000 for the Spearhead Trails.
- All anticipated economic development incentive payments remain intact.



Economic Development Actions

- The amendments provide full funding requested by the Governor for the Commonwealth's Development Opportunity Fund.
 - Designated for funding in support of the Jefferson Labs ion collider project.
 - Provides flexibility for use of up to \$1.0 million as additional capital to Commonwealth Research Commercialization Fund.
- Other Economic Development initiatives include:
 - \$350,000 to continue what had previously been a FACT Fund grant to help link national security research with entrepreneurs.
 - \$250,000 for seed funding for a training program to be provided in collaboration with the Virginia Ship Repair Association.
- Recognizes \$2.35 million in NGF to address encroachment at Fentress Auxiliary Landing Field, and allocates \$250,000 of these amounts for encroachment at Langley Air Force Base.
- Includes \$500,000 in Veteran's Services for a job grant program to encourage companies to hire veterans.



Economic Development Actions

Commerce & Trade (\$ in millions)	GOV	Conf.	Difference
Commonwealth's Development Opportunity Fund	\$28.0	\$28.0	\$(0.0)
Coalfields EDA (<i>substitute for SB 1161 did not require</i>)	1.2	0.0	(1.2)
Eliminate Entrepreneurial Initiative	1.0	0.0	(1.0)
Ft. Monroe PILOT increase	0.7	0.0	(0.7)
Rapid Rehousing & Housing Trust Fund	1.0	9.0	8.0
Tourism Marketing Funds	0.5	0.5	(0.0)
Commonwealth Center for Advanced Manufacturing	0.0	1.5	1.5
Brownfields Restoration	0.0	0.75	0.75
Southwest Va. Tourism (DHCD)	0.0	0.675	0.675
National Security R&D Initiative	0.0	0.35	0.35
Ship Repair Training Program	0.0	0.25	0.25
Secretarial Total			\$8.9
<i>Item 471.10 Reduction Strategies</i>			
Enterprise Zones	(0.65)	0.65	0.65
"See Virginia First"	(0.9)	0.9	0.9
Sports Hall of Fame	(0.75)	0.25	(0.5)



Natural Resources

- Conference report adds a total of \$21.6 million, and restores \$3.2 million of proposed reductions and transfers.
- Provides \$10.7 million in additional funding for Ag BMPs and soil and water conservation districts in the second year, resulting in level funding in FY 2016 that matches the appropriation of \$18.9 million in FY 2015.
- Includes \$5.0 million GF cash for stormwater management grants, supplementing previously authorized bond funding.
- Restores balances to the Underground Storage Tank Fund of \$2.4 million in the second year.



Other Natural Resources Actions

- In the area of land conservation, includes one-time funding of \$1.0 million GF in additional for Farmland Preservation, \$1.25 million for Civil War Site Preservation, \$500,000 for DCR Natural Area Preserves and \$3.0 million more for the Virginia Land Conservation Fund.
 - Also eliminates the proposed increase in the land preservation tax credit transfer fee and restores the \$1.35 million in funding.
- Included in Capital Outlay is \$5.6 million for the Natural Resources programs, including:
 - \$2.2 million NGF for Seven Bends Park in Shenandoah County,
 - \$1.5 million GF for Occoneechee State Park recreational facilities,
 - \$1.5 million GF for acquisition of yurts at multiple parks,
 - \$0.3 million GF for cabin furnishings; and
 - \$0.2 million GF for land acquisition adjacent to Natural Tunnel State Park.



Overview of Agriculture, Forestry and Natural Resources

Agriculture Forestry & Natural Resources (\$ in millions)	GOV	Conf.	Difference
Agricultural Best Management Practices	<i>Reserve Funds</i>	\$10.7	\$10.7
Stormwater Local Assistance Fund	0.0	5.0	5.0
Virginia Land Conservation Fund	0.0	3.0	3.0
Civil War Battlefield Protection	(0.25)	1.25	1.25
State Park Furnishings	0.0	0.85	0.85
Natural Area Preserves	0.0	0.5	0.5
Farmland Preservation	(0.25)	1.0	0.75
Shoreline Erosion Advisory Service	0.0	0.15	0.15
DEQ Assessment of Clean Power Plan	0.0	0.2	0.2
Sesquicentennial of Surrender at Appomattox	0.0	0.1	0.1
Secretarial Total			\$21.5
<i>Item 471.10 Reduction Strategies</i>			
Marine Resources Fees	(0.55)	0.55	0.55
Coyote Control	(0.2)	0.2	0.2
4-H and FFA Scholarship	<0.1	<0.1	<0.1
Commodities Boards Indirect Costs	(0.1)	0.1	0.1



Overview of Transportation

- Dollar amendments were identical in both budgets and remain unchanged – all differences were related to language.
 - Amendments **do not** include any project specific earmarks of highway and transit funding.
 - Amendments **do not** include any language with respect to procurement or engineering decisions.
 - Amendments **do not** include any language related to privately owned bridges.
- Conference report reflects the appropriation of revenues related to the Transportation Network Companies at DMV.
 - Corrects language at DMV to ensure DMV Selects receive compensation inclusive of increases that went into effect following the 2013 General Assembly.
- Includes language requiring quarterly reports on WMATA activity to ensure the Commonwealth's contributions are used efficiently and effectively and shortcomings at the Authority are appropriately addressed.



Overview of Transportation

- Language related to the Department of Rail and Public Transportation, includes:
 - Assess the feasibility of increasing private provision of paratransit services.
 - Review the use of monies deposited to the Rail Enhancement Fund since its creation in 2005.
 - Restoration of interest earnings to the Commuter Rail Trust Fund.
- Language related to the Department of Transportation, includes:
 - Directs the CTB to consider municipally-owned – not just state-owned -- bridges when selecting improvement projects.
 - Analysis of VDOT's expenditure of funding on secondary roads, and how they are distributed across the state, with a comparison of expenditures to identified performance measures and population.
 - Authorizes VDOT to deposit revenues generated by the Hampton Roads Regional Fund directly to the HRTAC and authorizes expenditures for administrative costs.



Port of Virginia

- The conference amendments for the Virginia Port Authority reflect ongoing consolidation of operations of the VPA and Virginia International Terminals.
 - Technical amendments include an increase of 23.0 FTE and \$2.8 million NGF.
 - Conference report increases employment level by 46.0 FTE positions and \$13.5 million NGF.
- Amendments also endorse modification of existing Virginia International Gateway Terminal Lease language to authorize VPA to extend or renew its operating lease on the marine terminal by 50 years and allow for the conversion of this operating lease to a capital lease.
 - Separate language is allows the use of previously authorized Commonwealth Port Fund Bond proceeds for Craney Island improvements to be used for the construction or expansion of other port facilities.



Employee Compensation Actions

- Conference amendments reserve \$113.9 million in revenues to provide for compensation adjustments to state and state supported local employees, as well as funding to increase the VRS contribution rates to 90% of the board rates for the 4 state employee plans contingent on official FY 2015 revenues not being more than 1% below forecast.
 - Includes \$37.8 million GF for a 2% salary increase for state employees effective August 10, 2015.
 - Includes \$26.3 million for salary compression adjustment for state employees effective August 10, 2015.
 - \$80 per year of service salary adjustment for Sworn Officers of the State Police with 3 or more years of service receive.
 - \$65 per year of service for Other State Employees with 5 or more years of service.
 - Includes \$357,432 GF to reflect impact of salary adjustments on internal service fund rates charged by central service agencies.
 - Includes \$13.3 million for 2% salary adjustment for state supported local employees effective September 1, 2015.



Additional Compensation Actions

- Conference report includes \$3.7 million GF for the state police, in addition to the funding in the revenue reserve, to further address salary compression issues beginning August 10, 2015.
 - Includes \$6.9 GF million to provide a \$1,000 adjustment in the annual salary for the two lowest level correctional officers positions at the Department of Corrections effective August 10, 2015.
- Conference report includes an additional \$1.2 million GF to increase the entry level salary for grade 7 deputy sheriffs and regional jail officers an additional 4.63 percent.
 - Results in total increase in minimum salary of 6.63 percent.
- Includes \$3.8 million GF, as part of the revenue reserve, to provide additional 2 percent salary adjustment to 17 positions with high turnover job roles identified by the State Employee Compensation Workgroup.



VRS Actions

- Includes, in revenue reserve, \$32.3 million GF in FY 2016 to fund 90% of the VRS Board certified rates for the four state employee plans (VRS, SPORS, VaLORS and JRS) effective August 10, 2015.
 - Captures savings of \$1.3 million from legislation increasing the mandatory retirement age for judges from 70 to 73.
- Budgets include a lump-sum payment to the VRS for the teacher retirement program from the Literary Fund of \$192.9 million in FY 2016.
 - Includes language stating payment shall be applied as an accelerated repayment of the 2010-12 biennium deferred contributions.
 - Captures GF savings in FY 2016 from decreasing the regular VRS retirement contribution rate for the teacher system in FY 2016 based on the accelerated repayment.



State Employee Health Insurance

- Conference report restores \$1.4 million GF in interest earnings to the state employee health insurance fund and the local choice health fund in both years.
- Includes \$250,000 GF for coverage of services to treat Autism to age 10.
- Rejects proposal to increase annual out-of-pocket maximums for state employee health plan.
- Includes language instructing the Department of Human Resource Management to conduct an actuarial analysis of the impact of including employees of political subdivisions and their dependents in the state employee health plan and also to conduct a review of the Local Choice Health program.
 - Dedicates up to \$250,000 in prior year unobligated balances for the actuarial analysis and the review of the Local Choice program.



Other General Government Actions

- Conference report includes \$129.5 million in FY 2015 in anticipation of constitutionally-required deposit to the Rainy Day Fund in the 2016-18 biennium.
- Conference report eliminates the Local Aid reversion of \$30.0 million in FY 2016.
- Conference report includes an additional \$5.4 million GF in FY 2015 to cover the projected shortfall in the Criminal Fund.
- Eliminates \$1.6 million GF the second year to reimburse localities for replacement of voting equipment.
 - Also eliminates authorization to issue \$28.0 million in VPBA bonds to purchase and replace voting equipment statewide.

