

*Report of the
House Appropriations
Subcommittee*

on

Special Budget Review



*House Bill 29
&
House Bill 30*

February 22, 2004

February 22, 2004

**Respectfully Submitted by the House Appropriations
Subcommittee on Special Budget Review:**

Vincent F. Callahan, Jr., Chairman

M. Kirkland Cox

Leo C. Wardrup, Jr.

S. Chris Jones

J. Paul Council, Jr.

Clarence E. Phillips

REPORT OF THE SUBCOMMITTEE

on

SPECIAL BUDGET REVIEW

Members of the Committee:

There has been much discussion this year on tax reform. But there is another reform which is necessary. The Governor proposes a budget, but it is the General Assembly that is ultimately responsible for appropriating funds and sets the criteria governing the uses and distribution of those appropriations. This year the Special Budget Review Subcommittee has worked to address a long-outstanding need to rethink the general provisions or “fine print” of the budget.

We have done much in the last few years in the form of legislation to reform the budget process, including requiring an official reforecast when revenues drop by one percent; making expedited payments to the Rainy Day Fund; and passing legislation to set aside a portion of extraordinary revenue growth for one-time needs. All of these reforms are solid accomplishments that both the legislative and executive branches of government have embraced and supported.

But a comprehensive review of the fine print of the budget has not occurred since the modern constitution was adopted in 1971. We felt it was time to reevaluate whether some of the policies and powers delegated by the General Assembly to the Governor since before the modern constitution still make sense in light of dramatic changes in the structure of state government that have occurred since 1971. For example, the General Assembly now convenes -- and has for decades -- annually. The House and Senate money committees meet throughout the year. And, both money committees have professional staffs. Therefore, this Subcommittee

is recommending changes in the general provisions of the budget to further the goal of budget reform.

The recommendations include items which you adopted last year yet were omitted from the introduced budget. These revisions would require the Governor to disclose all agency reduction proposals to the legislature. Further, the language requires that reduction plans be disclosed before appropriations are withheld, and that reductions are limited to no more than 15 percent not just for agencies, but for any directly named grantee of an agency. In addition, the recommendations in this budget reform package create a reporting process that is more timely and responsive and retains legislative authority for the appropriation process.

There are other recommendations of the Subcommittee outside of budget reform. The Subcommittee recommends a revision to the higher education tuition and required fee policy which affirms the power of the Boards of Visitors of each public college and university to determine the appropriate tuition and fee charges for its student groups. The policy also more closely links tuition and fee policy with the legislature's higher education funding guidelines.

On behalf of the members of the Special Budget Review Subcommittee, I ask the Committee to adopt our recommendations.

BUDGET AMENDMENT RECOMMENDATIONS

<u>Amendment</u>	<u>FY 2004</u>	2004-06 BIENNIAL TOTAL	
		<u>General Fund</u>	<u>Nongeneral Fund</u>

<u>HB 29</u>			
Part IV General Provisions			
Clarify Budget Enrollment	Language		
<u>HB 30</u>			
Secretary of Education			
Remedial Education			Language
Department of Corrections			
Farm Commodities			Language
Department of Aviation			
Purchase of Aircraft			Language
Central Appropriations			
Remove Contingent Car Tax		(156,571,320)	
State Corporation Commission			
Level Fund Uninsured Motorists Payments			(2,100,000)
Part III Transfers			
Uninsured Motorists Fee Transfer			Language
Part 3 Transfers Contingent on Tax Package			Language
Part IV General Provisions			
Capital Projects Blanket Authorization			Language
Higher Education Tuition and Fee Policy			Language
VCCS Technology Procurement			Language
Research Network Contracts			Language
General Provisions Reform			Language
Remove Governor's Tax Package			Language
HB 30 TOTAL		(156,571,320)	(2,100,000)

Revenues

Nongeneral Fund Revenues

Language

Language:

Page 448, delete lines 38 through 49 and insert:

"1. All nongeneral fund collections by public institutions of higher education, including collections from the sale of dairy and farm products, shall be deposited in the state treasury in accordance with § 2.2-1802, Code of Virginia, and expended by the institutions of higher education in accordance with the appropriations and provisions of this act, provided, however, that this requirement shall not apply to private gifts, endowment funds, or income derived from endowments and gifts.

2.a) Each institution and the Council of Higher Education shall monitor tuition, fees, and other charges and the mix of resident and nonresident students to the end that the primary mission of providing educational opportunities to citizens of Virginia is served. The State Council of Higher Education shall develop and enforce uniform guidelines for reporting student enrollments and the domiciliary status of students. The Council shall report to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees no later than June 30 of each year on the tuition and fee charges at each public institution of higher education.

b) The determination of proper tuition, fees and charges shall be made by the Boards of Visitors or other governing bodies of institutions of higher education, provided, however, that the tuition and fee charges to nonresident undergraduate and graduate students shall be not less than 100 percent of the average total cost of education. The State Council of Higher Education may authorize a phased approach to meeting this requirement when, in its judgment, it would result in annual tuition and fee increases for nonresident students that would discourage their enrollment. Boards of Visitors shall consider the total cost of education in determining tuition and fee charges. The average total cost of education shall reflect the findings and recommendations in the November 2001 report of the Joint Subcommittee on Higher Education Funding Policies, as periodically updated, and reflect subsequent recommendations by the Joint Subcommittee with regard to the appropriate fund split of the total cost of education. The State Council of Higher Education shall determine each institution's appropriate total cost amounts, in consultation with the institution.

c) In setting tuition and fee charges, the Boards of Visitors or other governing bodies of

institutions of higher education may set appropriate tuition and fee charges for all student groups consistent with market-determined rates.

d) In the absence of general funds in support of the guidelines based on the November 2001 report of the Joint Subcommittee on Higher Education Funding Policies, as updated, the Boards of Visitors may consider appropriate increases for tuition and all required fees and the allocation of these revenues to Educational and General programs to address up to 95 percent of the base budget adequacy guidelines included in the Joint Subcommittee for Higher Education recommendations. In doing so, the Boards of Visitors or other governing bodies of institutions of higher education shall provide additional financial aid resources, from any combination of tuition, state, federal, and private resources. As additional general funds are provided consistent with the recommendations in the November 2001 report of the Joint Subcommittee on Higher Education Funding Policies, the Boards of Visitors or other governing bodies of institutions of higher education shall consider minimizing the impact of tuition charges for resident students.

3. In determining tuition and fee charges, the Boards of Visitors or other governing bodies of institutions of higher education shall not increase the current proportion of nonresident undergraduate students if the institution's nonresident undergraduate enrollment exceeds 25 percent.

4. Norfolk State University, Virginia Military Institute, Virginia State University and two-year public institutions are exempt from the restrictions contained in subparagraph 3 above.

5. The fund source "Higher Education Operating" within Educational and General Programs for institutions of higher education includes tuition and fee revenues from nonresident students to pay their proportionate share of the amortized cost of the construction of buildings approved by the Commonwealth of Virginia Educational Institutions Bond Act of 1992 and the Commonwealth of Virginia Educational Facilities Bond Act of 2002.

6. a) Each institution shall communicate its tuition and fee charges, as approved by its Board of Visitors, to the Secretary of Education, the State Council of Higher Education, and the Chairmen of the House Appropriations and Senate Finance Committees by May 15 of each fiscal year. In addition, each institution shall work with the State Council of Higher Education and the Virginia College Savings Plan to determine appropriate tuition and fee estimates for tuition savings plans.

b) The State Council of Higher Education shall report to the Chairmen of the House Appropriations and Senate Finance Committees by November 1 of each fiscal year the results of the nongeneral fund survey. This report shall serve as the foundation for required nongeneral fund appropriation adjustments made by the Department of Planning and Budget.

7. The entitlement to in-state tuition charges referenced in § 23-7.4:2 A (iii), Code of Virginia, shall be suspended during the current biennium.

8. The determination of proper mandatory fees for purposes other than Educational and General Programs shall be made by the Boards of Visitors or other governing bodies of institutions of higher education within the limits of the total appropriations provided in this act for such purpose, excluding fees required to support authorized capital outlay projects.

9. The Director, Department of Planning and Budget, shall appropriate and allot tuition and educational and general fee revenues in addition to those appropriated to the Educational and General programs of this act, provided that the additional revenue is applied solely to the operating programs of the Educational and General programs and that the request for additional nongeneral fund budget authority is consistent with budget items adopted in this act and subparagraph 6.b.

10. It is the intent of the General Assembly that any institution of higher education granting new tuition waivers to in-state or out-of-state students not authorized by the Code of Virginia must absorb the cost of any discretionary waivers.

11. Tuition and fee revenues from nonresident students taking courses through Virginia institutions from the Southern Regional Education Board's Southern Regional Electronic Campus must exceed all direct and indirect costs of providing instruction to those students. Tuition and fee rates to meet this requirement shall be established by the Board of Visitors of the institution

12. The entitlement to in-state tuition charges at four-year institutions shall not extend beyond 125 percent of the credit hours needed to satisfy the degree requirements for a particular program, excluding transfer or advanced placement credits.

Page 449, delete lines 1 through 42.

Explanation:

(This amendment is self-explanatory.)

Special Budget Review Subcommittee

Item 4-4.01 #1h

Capital Projects

General

Language

Language:

Page 457, after line 11, insert:

"c. Blanket authorizations funded entirely by nongeneral funds may be used for 1) renovation and infrastructure projects costing up to \$3,000,000 and 2) the planning of nongeneral fund new construction and renovation projects through bidding, with bid award made after receipt of a construction authorization. The Director, Department of Planning and Budget, may provide exemptions to the threshold."

Explanation:

(This amendment is self-explanatory.)

Special Budget Review Subcommittee

Item 4-5.06 #1h

Special Conditions and Restrictions on Expenditures

Goods and Services

Language

Language:

Page 462, line 45, after "from", insert:

"the Virginia Community College System or from".

Explanation:

(This amendment is a technical language change that allows the Virginia Community College System to continue to leverage the purchasing power of 23 community colleges in order to achieve the lowest costs possible on technology procurements.)

Special Budget Review Subcommittee

Item 4-5.06 #2h

Special Conditions and Restrictions on Expenditures

Goods and Services

Language

Language:

Page 463, line 9, after "Virginia.", insert:

"The Network Virginia Contract Administrator may renegotiate the term of existing contracts. The contract administrator is further authorized to competitively negotiate additional agreements in accordance with the Code of Virginia and all applicable regulations, as required, to establish and maintain research network infrastructure."

Explanation:

(This amendment is self-explanatory.)