

## Health and Human Resources

The Governor's proposed 2004-06 budget for Health and Human Resources results in a net increase of \$320.1 million GF and \$1.6 billion NGF for the biennium when compared to the adjusted appropriation for current operations. This total reflects new spending of \$375.5 million GF and \$1.7 billion NGF, offset by \$55.5 million GF and \$13.0 million NGF in reductions. About 79 percent of the funding is required to meet caseload and cost increases, comply with federal and state mandates, and offset nongeneral fund revenue losses. In addition, a \$27.4 million GF initiative is included to address the U.S. Supreme Court's Olmstead decision by increasing community-based services for mentally disabled persons. A portion of the proposed funding for Health and Human Resources totaling \$384.9 million is contingent upon revenues assumed by the passage of the Governor's tax proposal. Most of this contingent funding affects the Medicaid program.

Inflation in medical costs and increasing numbers of low-income families, elderly, and disabled in the Medicaid program require the addition of \$272.0 million in FY 2005 and \$435.8 million in FY 2006 in state funding. Most of the additional funding needed for the Medicaid program comes from the Governor's proposed Virginia Health Care Fund. The fund would be used solely for health care services and is comprised of revenues from the current cigarette tax, the 40 percent general fund share of the Tobacco Master Settlement Agreement, and all prior-year Medicaid recoveries. The recommended budget also proposes language to increase the state cigarette tax from 2.5 cents per pack to 25 cents per pack. The \$292.3 million in increased cigarette tax revenue over the biennium would also be deposited into the Virginia Health Care Fund. With this increased revenue, the fund is estimated to provide \$310.7 million in FY 2005 and \$276.3 million in FY 2006 for the Medicaid program. To fully fund the forecasted need for Medicaid in 2004-06, an appropriation of \$120.8 million from the general fund is proposed in addition to revenues from the Virginia Health Care Fund.

Other caseload and cost increases account for \$106.7 million GF of the added funding. The rising cost to serve at-risk youth, entitled to care under the Comprehensive Services Act (CSA), requires \$46.8 million GF. An additional \$31.3 million GF is proposed for growth in the number of low-income children eligible for FAMIS and FAMIS-Plus, the state's children's health insurance program. Growth in the number and cost of serving children entitled to foster care and subsidized adoptions requires \$25.5 million GF. Finally, an added \$3.1 million GF is proposed for increases in involuntary mental commitments.

Federal and state mandates account for \$12.3 million GF of the additional proposed funding. This includes \$9.1 million for the civil commitment and

treatment of violent sexual predators, and \$859,000 to monitor and treat sex offenders conditionally released by the courts into the community. It also includes \$506,250 GF to support workload increases in determining eligibility for Medicaid disability services in the Department of Rehabilitative Services, and \$1.8 million GF for contractual costs to administer the federally mandated Electronic Benefits Transfer System for food stamps.

The \$27.4 million GF Olmstead initiative includes:

- \$9.0 million to discharge 77 long-term mentally disabled patients from state facilities and treat with specialized services;
- \$6.7 million for 160 new mental retardation waiver slots;
- \$4.6 million to add three programs of assertive community treatment for mentally ill adults;
- \$4.0 million to increase community mental health services for children and adolescents with serious emotional and behavioral disorders;
- \$2.0 million to expand the purchase of short-term inpatient mental health treatment beds at local community hospitals;
- \$804,431 to add 25 slots for the developmentally disabled waiver program; and
- \$360,000 to add five new Public Guardian and Conservator Programs to serve disabled adults.

About 80 percent of the budget savings from Health and Human Resources comes from Medicaid cost avoidance and cost containment initiatives (\$44.5 million GF). Significant budget reductions include:

- \$28.0 million in savings from efforts to reduce teaching hospital reliance on general funds for indigent care;
- \$10.3 million from reducing pharmacy program costs by implementing a maximum allowable cost program to contain costs for generic drugs;
- \$2.3 million by realizing savings by moving AIDS waiver program patients to the elderly and disabled waiver program and eliminating their case management services;

- \$3.4 million by reducing administrative funding for a disease management program and implementing the program on a more limited basis to test its ability to enhance patient care and control costs.
- **Comprehensive Services Act (CSA) for At-Risk Youth and Families**
  - *Increased Cost of Mandatory Services.* Adds \$18.9 million GF and \$21.6 million NGF the first year and \$27.9 million GF and \$27.0 million NGF the second year for increased costs of serving children mandated for care under CSA. Spending growth for CSA over the biennium is projected to be slightly less than in recent years, averaging about 10 percent in FY 2005 and 7.3 percent in FY 2006.
- **Virginia Department for the Aging**
  - *SeniorNavigator Web-based Aging Information System.* Provides \$250,000 GF each year for operational support of SeniorNavigator, a web-based aging information system which provides information about available services for seniors, families, and caregivers.
  - *Expand Public Guardian and Conservator Program.* Provides \$110,000 GF in FY 2005 and \$250,000 GF in FY 2006 to establish five new Public Guardian and Conservator Programs in unserved areas. Currently, nine programs operate throughout the state and serve elderly and disabled adults who have no family or friends able to provide guardian services. Funding for this program is part of the Olmstead initiative and contingent upon passage of the Governor’s tax proposal.
- **Department of Health**
  - *Anticipated Federal Funds for Public Health Activities.* Provides \$20.1 million NGF in FY 2005 and \$21.2 million NGF in FY 2006 for anticipated federal grants for cancer prevention and control, hospital preparedness activities, and the AIDS Drug Assistance Program.
  - *Offset GF with NGF for Emergency Medical Services System.* Reduces general fund support for EMS by \$3.2 million each year and provides \$13.8 million NGF each year from the additional \$2 surcharge on motor vehicle registrations passed during the 2002 General Assembly (\$4-for-Life). Language is added making this additional funding for EMS contingent upon passage of the Governor’s tax proposal.

- ***Substitute \$4-for-Life Funds for GF Support for Med-flight Operations.*** Provides \$1.0 million NGF each year from the EMS \$4-for-Life funds to replace general fund support to the State Police for med-flight operations.
- ***Federal Funds for the Violent Death Reporting System.*** Provides \$414,659 NGF each year in federal funds received by the Office of the Chief Medical Examiner for the development and maintenance of a National Violent Death Reporting System.
- ***Allow Area Health Education Centers to Leverage Federal Medicaid Funds.*** Language is added to allow the Area Health Education Centers (AHECs) to use existing funds to match federal Medicaid funds available for the recruitment, retention and practice support of Medicaid providers in medically underserved areas or areas with medically underserved populations. In addition, local and private funds available to AHECs can be used to match federal Medicaid funds available for provider education, health promotion, and Medicaid outreach and enrollment.
- ***AHEC Cash Match for State Funding.*** Language is also added to require AHECs to match 100 percent of the funds received from the state for their activities. In the past, AHECs were required to match only 50 percent of the funding received from the state.
- ***Supplant Vital Records GF Operational Support With Vital Statistics Automation Fee Revenue.*** Reduces \$967,904 GF each year for operational support of the Office of Vital Records and Health Statistics, and supplants it with a portion of the fees collected for the Vital Statistics Automation Fund. Currently the State Registrar collects a fee, not to exceed eight dollars, for a certified copy of a vital record or for a search of the files or records when no copy is made. Four dollars of this fee is deposited into the Vital Statistics Automation Fund for the automation of vital records and statistics information. The proposed budget redirects \$2 of the automation fee for the Office’s operations.
- ***Transfer Wastewater Activities to DEQ.*** Transfers \$552,006 GF and seven FTE positions each year to the Department of Environmental Quality for the regulation of sewage treatment plants pursuant to HB 2602 passed by the 2003 General Assembly.

- **Department of Health Professions**
  - *Enforcement and Adjudication Costs.* Adds \$2.2 million NGF in FY 2005 and \$2.3 million NGF in FY 2006 and 27 positions to implement additional investigations, enforcement, and adjudication of misconduct by doctors of medicine, podiatry, and osteopathy. These additional efforts are related to the passage of HB 1441 by the 2003 General Assembly that lowered the disciplinary standard of proof from gross negligence to simple negligence for misconduct by these health practitioners.
  - *Leverage Medicaid for CNA Regulatory Program.* Adds language allowing the department to transfer revenue generated from Certified Nurse Aide fees to the Department of Medical Assistance Services to be matched by federal Medicaid funds. These funds would support the CNA regulatory program.
- **Department of Medical Assistance Services (DMAS)**
  - *Increase for Medicaid Utilization and Inflation.* Proposes to fully fund expected increases in enrollment and costs in the Medicaid program. Projected growth in Medicaid can be attributed to increasing enrollment, especially among children and families, and rising costs of nursing home placements, managed care payments, mental retardation waiver services, and prescription drugs. The Medicaid program is expected to grow by 7.6 percent in FY 2005 and 8.8 percent in FY 2006, requiring additional state funding of \$272.0 million in FY 2005 and \$435.8 million in FY 2006 to maintain current services for eligible persons.

The proposed budget provides additional funding for Medicaid utilization and inflation from the Governor's proposed Virginia Health Care Fund. The fund would be used solely for health care services and is comprised of revenues from the current cigarette tax, the 40 percent general fund share of the Tobacco Master Settlement Agreement, and all prior-year Medicaid recoveries. The recommended budget also proposes language in Part 5 to increase the state cigarette tax from 2.5 cents per pack to 25 cents per pack. The \$292.3 million in additional cigarette tax revenue over the biennium would also be deposited into the Virginia Health Care Fund, making a portion of the funding for Medicaid contingent upon passage of the Governor's tax proposal.

The health care fund is estimated to provide a total of \$310.7 million in FY 2005 and \$276.3 million in FY 2006 for the Medicaid program. Consequently, to fully fund the forecasted need for Medicaid utilization and inflation, the budget proposes a reduction of \$38.7 million GF and an increase of \$555.2 million NGF in FY 2005 and an increase of \$159.5 million GF and \$684.1 million NGF in FY 2006.

- ***Medicaid Low-Income Children Caseload Growth (FAMIS Plus).*** Provides \$8.1 million GF and \$14.2 million NGF in FY 2005 and \$8.4 million GF and \$15.6 million NGF in FY 2006 for caseload growth in Medicaid eligible low-income children in families with incomes between 100 and 133 percent of the federal poverty level. The federal government matches Medicaid service expenditures for these children at the same rate as that provided for the Family Access to Medical Insurance Security (FAMIS) program (about 65 percent). Enrollment of these children in FAMIS Plus is expected to grow by 8 percent in FY 2005 and 6.7 percent in FY 2006, totaling about 28,400 children by the end of FY 2006.
- ***FAMIS Caseload Growth.*** Provides \$6.2 million GF and \$10.1 million NGF in FY 2005 and \$8.6 million GF and \$16.0 million NGF in FY 2006 for caseload growth in the FAMIS program. FAMIS enrollment has grown by about 14 percent in the past year, and as of September 2003 the program served about 32,700 children. Enrollment is expected to continue growing significantly during FY 2004 due to expanded outreach efforts. It is estimated that almost 38,000 children will be enrolled in the program by the end of FY 2004, with growth slowing to about 8.0 percent in FY 2005 and 7.4 percent in FY 2006. By June 30, 2006, the program is expected to serve about 46,000 children.
- ***Restore General Fund Support for Unrealized Revenue Maximization Initiatives.*** Adds \$6.9 million GF and reduces \$6.9 million NGF each year for unrealized revenue maximization strategies. Ongoing savings strategies assumed in the base budget to maximize federal Medicaid revenue have not materialized as expected and will probably not be feasible in the 2004-06 biennium.
- ***Increase Nursing Facility Reimbursement.*** Provides \$9.7 million GF and \$9.7 million NGF in FY 2006 to increase nursing facility reimbursement by \$3.00 per day. Language is added making this funding contingent upon passage of the Governor's tax proposal.

- ***Increase Inpatient Hospital Reimbursement.*** Provides \$9.1 million GF and \$9.1 million NGF in FY 2006 to increase inpatient hospital reimbursement by modifying a payment adjustment factor used in calculating the state’s reimbursement. Currently, the payment adjustment factor discounts 28 percent of allowable hospital inpatient costs, thus reimbursing hospitals for about 72 percent of their costs. This added funding would allow the department to decrease the discount to 25 percent, resulting in increased reimbursement covering 75 percent of allowable costs for hospital inpatient services. Language is added making this reimbursement change contingent upon passage of the Governor’s tax proposal.
- ***Involuntary Mental Commitments.*** Adds \$1.1 million GF in FY 2005 and \$2.0 million GF in FY 2006 to fully fund hospital and physician services resulting from involuntary mental commitments.
- ***Add Developmentally Disabled Waiver Slots.*** Provides \$344,756 GF and \$344,756 NGF in FY 2005 and \$459,675 GF and \$459,675 NGF in FY 2006 for 25 additional slots for the Medicaid waiver program serving developmentally disabled persons, including those with cerebral palsy, autism, and epilepsy. The additional funds would increase the number of waiver slots from 323 to 348. Funding for this program is part of the Olmstead initiative and language is added making it contingent upon passage of the Governor’s tax proposal.
- ***Adjust Medically Needy Income Limits for Inflation.*** Language is modified to provide an annual adjustment to medically needy income limits for the Medicaid program based on changes in the Consumer Price Index. This adjustment had been deferred in FY 2004 as part of the agency’s budget reduction strategies. The Medicaid forecast for the 2004-06 biennium assumes the funding to provide this adjustment, estimated at \$500,093 GF and \$500,093 NGF each year.
- ***Develop Alzheimer’s and Dementia Assisted Living Waiver.*** Adds language directing the Department of Medical Assistance Services to develop and implement a new home- and community-based waiver program to serve persons with Alzheimer’s disease and related dementias, contingent upon federal approval. Language allows existing Medicaid funding to be used to implement the waiver not to exceed \$1.3 million GF and \$1.3 million NGF in FY 2005 and \$1.9 million GF and \$1.9 million NGF in FY 2006. Enrollment would be capped at 200 slots in the first year.

Language directs the department to present the waiver proposal to the Governor and Chairman of the Joint Commission on Health Care by October 1, 2004, in order to consider the fiscal impact of the waiver during the development of the 2005 budget.

- ***Implementation of a Medicaid Buy-In Program.*** Adds language directing the Department of Medical Assistance Services to implement a Medicaid Buy-In Program, pursuant to HB 1822 passed by the 2003 General Assembly. The Medicaid Buy-In Program would serve up to 200 persons with disabilities and would allow them to return to work or remain in the workforce while receiving Medicaid benefits. Current law discourages work by denying Medicaid eligibility to disabled individuals with minimal levels of earned income. Language allows existing Medicaid funding to be used to implement the waiver not to exceed \$223,463 GF and \$223,463 NGF in FY 2005 and \$455,767 GF and \$455,767 NGF in FY 2006.

#### ***Targeted Reductions***

- ***Indigent Care Payments to Teaching Hospitals.*** Reduces general funds by \$15.6 million in FY 2005 and \$12.4 million in FY 2006 and increases nongeneral funds by \$2.3 million in FY 2005 and \$5.5 million in FY 2006 for indigent care services provided by the Virginia Commonwealth University Health System Authority and the University of Virginia Medical Center. The general fund reductions reflect efforts to reduce reliance by the teaching hospitals on disproportionate share hospital payments. Currently, both entities receive enhanced Medicaid payments for serving a disproportionate share of low-income, uninsured patients. However, the amount states can collect in enhanced federal Medicaid reimbursement is capped, requiring the hospitals to seek alternative funding sources for increased costs of indigent care. These initiatives have resulted in the need for fewer general funds for indigent care in the 2004-06 biennium.
- ***Implement Maximum Allowable Cost Reimbursement Methodology for Generic Drugs.*** Reduces \$5.2 million GF and \$5.2 million NGF each year by implementing a state maximum allowable cost reimbursement methodology to contain the costs of generic drugs in the Medicaid program.
- ***Implement a Limited Disease Management Program.*** Reduces funding by \$1.7 million GF and \$1.7 million NGF in anticipation of



savings by implementing a limited disease management program, testing the cost effectiveness and quality improvement for certain Medicaid patients. Early attempts to aggressively expand the disease management program were unsuccessful in realizing savings of \$10.4 million GF estimated for FY 2004, because vendor proposals were too costly and could not guarantee programmatic savings. A portion of the savings (\$700,000 GF each year) is attributable to a reduction in administrative funding, which is not needed since a contract for disease management was not implemented.

- *Move AIDS Waiver Patients to Elderly and Disabled Waiver Program.* Reduces \$1.2 million GF and \$1.2 million NGF each year by moving AIDS Waiver patients into the elderly and disabled waiver program and realizing savings by the elimination of case management services. Case management is not a covered service in the elderly and disabled waiver program. Currently, 272 individuals are receiving AIDS waiver services.
- *Reduce Durable Medical Equipment Payments.* Reduces \$200,000 GF and \$201,043 NGF each year by eliminating a 30 percent mark-up paid for certain durable medical equipment items not included in Medicaid's rate schedule.
- **Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)**
  - *MH Facility Revenue Shortfall.* Adds \$14.8 million GF and reduces \$14.8 million NGF each year to reflect the loss of patient revenues at the state's mental health facilities. As the number of patients receiving services at state facilities has declined and fewer Medicaid-eligible clients have been served, operating revenues have diminished, resulting in the current funding shortfall. In recent years, the department has been able to maximize federal Medicaid revenues through a year-end cost-settlement process. The declining number of Medicaid-eligible patients will not allow the department to rely on this strategy in the upcoming biennium.
  - *Mental Health Discharge Assistance Planning Funds.* Allocates \$3.6 million GF in FY 2005 and \$5.4 million GF in FY 2006 to allow for the discharge of 77 long-term rehabilitation patients who have been identified and are ready to be released from one of the Commonwealth's mental health facilities. Funding, estimated at \$70,000 per individual, will be used to provide specialized services

for individuals who face extraordinary barriers to placement in the community. Funding for this program is part of the Olmstead initiative and contingent upon passage of the Governor's tax proposal.

- ***Add 160 Mental Retardation Waiver Slots.*** Adds \$2.7 million GF in FY 2005 and \$4.0 million GF in FY 2006 to increase the number of individuals receiving home- and community-based mental retardation waiver services. The additional waiver slots, which are estimated to cost \$25,000 each, will allow 107 individuals who are currently residing in mental retardation training centers to be discharged and placed into a less restrictive placement in the community. The remaining 53 waiver slots will be used to reduce the current urgent waiting list of 1,000 individuals. Funding for this program is part of the Olmstead initiative and contingent upon passage of the Governor's tax proposal.
- ***Establish Additional Programs of Assertive Community Treatment (PACT).*** Provides \$2.0 million GF in FY 2005 and \$2.6 million GF in FY 2006 to establish three new PACT teams in communities. PACT programs provide crisis intervention and case management services that allow adults with mental illness to receive intensive treatment services in the community and avoid placement in mental health facilities. Currently, there are 13 PACT programs across the Commonwealth. Funding for this program is part of the Olmstead initiative and contingent upon passage of the Governor's tax proposal.
- ***Increase Community Mental Health Services for Children and Adolescents.*** Provides \$2.0 million GF each year to expand mental health services for children and adolescents with serious emotional disturbances and related disorders. While these children and adolescents may have the same diagnoses and illnesses as mandatory cases served through the Comprehensive Services Act, they are not eligible to receive CSA-funded services. For example, children whose parents retain custody of their child, as opposed to relinquishing custody to the state, may be ineligible for mental health services whereas foster care children are considered mandated cases. Funding for this program is part of the Olmstead initiative and contingent upon passage of the Governor's tax proposal.
- ***Increase Inpatient Treatment Services Purchased at Community Hospitals.*** Adds \$1.0 million each year to expand the purchase of

inpatient services at community hospitals in order to reduce inpatient admissions and potentially long-term stays at state mental health facilities. Funding for this program is part of the Olmstead initiative and contingent upon passage of the Governor's tax proposal.

- *Services and Monitoring for Conditionally Released Sexually Violent Offenders.* Adds \$325,000 GF in FY 2005 and \$534,000 in FY 2006 to monitor, treat, and support sexually violent offenders who are conditionally released by the courts to the community.
  - *Replace Obsolete Computer Hardware.* Adds \$400,000 GF in FY 2005 and \$175,000 in FY 2006 to replace outdated computer hardware that the Department uses to operate its financial management systems such as procurement, patient cost accounting, and budgeting. The Department's computer hardware will be purchased through the state's Master Equipment Leasing Program (MELP).
  - *Advisory Committee on the Olmstead Decision.* Adds budget language establishing the Community Integration Oversight Advisory Committee to oversee implementation of the Supreme Court's 1999 decision *Olmstead vs. L.C.* A community integration implementation team is required to report annually to the advisory committee on the status of the implementation of Olmstead in Virginia.
  - *Adjust NGF for Increased Revenues.* Adds \$9.4 million each year to adjust the nongeneral fund appropriation for the community services boards to reflect federal grant increases for mental health, substance abuse, and early intervention services. Provides an additional nongeneral fund appropriation of \$3.6 million each year to reflect a) increased federal revenues for the Southwestern Virginia Training Center and b) increased federal grants for early intervention services for children, crisis counseling, outreach, human rights protections, and licensure activities.
- **Department of Rehabilitative Services**
    - *Additional Medicaid Disability Unit Workers.* Provides \$250,000 GF and \$250,000 NGF in FY 2005 and \$256,250 GF and \$256,250 NGF in FY 2006 to hire additional staff to determine whether applicants are eligible for Medicaid because of their disability. Federal law requires Medicaid disability applications to be

processed within 90 days. The department has not been fully compliant with this requirement in recent years due to budget reductions that coincided with double-digit caseload increases.

- *Expand Services for Brain-Injured Individuals in Southwest Virginia.* Allocates \$75,000 GF each year to coordinate services for individuals with brain injuries who reside in Southwest Virginia.
- **Woodrow Wilson Rehabilitation Center**
  - *Replace Contractors with Classified Positions.* Saves \$75,000 GF each year by transitioning contracted employment placement services positions to classified employees.
- **Department of Social Services**
  - *Mandatory Adoption Subsidy Payments.* Provides \$5.5 million GF and \$690,344 NGF in FY 2005 and \$8.6 million GF and \$1.9 million NGF in FY 2006 for caseload and cost increases for the adoption subsidy program. Expenditures for the program have grown significantly in recent years, largely the result of the Adoption and Safe Families Act passed by Congress in 1997. The law required states to expedite the adoption of children in foster care. State improvements in the adoption of Virginia’s children have resulted in the award of federal adoption incentive grants.
  - *Mandatory Title IV-E Foster Care Payments.* Adds \$3.9 million GF and NGF in FY 2005 and \$7.4 million GF and NGF in FY 2006 to fully fund anticipated caseload and cost increases in the federal Title IV-E foster care program. Foster care caseloads have risen as the department seeks to qualify foster care children for federally funded foster care. At the same time, the number of children requiring intensive and expensive residential treatment services is increasing.
  - *EBT Cost Increase for Food Stamps.* Provides \$1.4 million GF and NGF in FY 2005 and \$400,000 GF and NGF in FY 2006 for the increased costs of administering the point-of-sale, Electronic Benefits Transfer system (EBT). EBT cards, which are used the same way as an Automatic Teller Machine (ATM) card, are the federally required mode of transmission for food stamp benefits.

- *Renegotiate Contract for Data Line Services.* Saves \$205,990 GF each year by renegotiating rates for data-line services.
- *Assisted Living Facilities Increase.* Modifies budget language providing for an inflationary increase of \$12 per month or 1.4 percent for licensed assisted living facilities and adult foster care home rates consistent with changes in federal law. The maximum rate for eligible homes will increase from \$854 to \$866 per month.
- *Rebalancing the TANF Block Grant.* The Governor’s budget proposes to add \$13.6 million GF each year and reduces selected TANF expenses by \$29.6 NGF each year in order to rebalance revenues and expenditures in the Temporary Assistance to Needy Families (TANF) block grant and satisfy federal requirements for the state’s maintenance of effort. Current TANF spending relies on prior-year balances in the TANF program. These balances will be depleted at the end of FY 2004, requiring adjustments to TANF spending to align resources with expenditures. Based on the Governor’s recommendations, a positive TANF balance of \$4.8 million in FY 2005 and \$12,887 in FY 2006 is expected. The following paragraphs describe the proposed additions in general funds and reductions in nongeneral funds to rebalance TANF spending. A detailed table showing expenditures in the TANF program follows this narrative.
- *Restore GF for TANF Maintenance of Effort.* Proposes \$10.3 million GF each year to satisfy the federal Temporary Assistance for Needy Families block grant requirement that the Commonwealth spend at least \$128.2 million of its resources each year for TANF. Insufficient state and local expenditures on eligible TANF activities would result in a federal penalty equivalent to twice the amount the state is short.
- *Child Day Care Subsidies for At-risk, Low-income Families.* Adds \$3.3 million GF and \$3.3 million NGF from matching federal child care funds each year to maintain child day care subsidies for low-income families. This funding will replace \$6.6 million of the \$8.6 million reduction in child day care subsidies that is currently transferred from the federal TANF block grant to the Child Care Development Fund for these services. This funding frees up TANF funds for core welfare reform activities.
- *Expand Services for Healthy Families Virginia.* Provides \$459,980 GF each year to Healthy Families Virginia in order to promote

positive parenting, improve child health and development, and reduce child abuse and neglect. Current funding in FY 2004 for Healthy Families Virginia includes \$125,000 from the general fund and \$4.6 million from the TANF block grant. The proposed increase of \$334,980 GF would offset a portion of a proposed 10 percent reduction in federal TANF funding for Healthy Families. The added general funds would also enable Healthy Families to obtain other federal matching dollars for services.

- *TANF Funding for Earmarked Programs and Services.* The proposed budget reduces \$7.1 million NGF each year in TANF funding for earmarked programs and services that were funded largely from surplus TANF dollars in previous years. It creates a competitive grant program funded with \$18.5 million each year from the federal TANF block grant. Twenty-four programs that received \$20.5 million in federal TANF funding in FY 2004 will compete for \$18.5 million in FY 2005. In addition, budget language "earmarking" TANF funds for these programs has been deleted in the proposed budget. Language requires the department to ensure that grants are awarded statewide to organizations that have "a proven record of effectively delivering services and leveraging private and public sector dollars to carry out activities." In addition, TANF funding for a child support supplement which was initiated in FY 2004 will be capped at one-half of its projected cost beginning in FY 2005. In FY 2004, TANF funding for this initiative totals \$7.8 million.
- *Kinship Care for Children Receiving TANF.* Adds budget language creating a separate state Virginia Kinship Care program for children on TANF who are being cared for by family members or relatives other than their parents. Separate state programs are operated outside of the federal TANF program but are paid for with general fund dollars that count toward the state's maintenance of effort requirement. Separate state programs can operate more flexibly than TANF-funded programs.

## TANF Block Grant Funding Governor's 2004-2006 Recommendations

TANF Resources	FY2004	FY2005	FY2006
Annual TANF Block Grant Award	\$ 158,285,000	\$ 158,285,000	\$ 158,285,000
Bonus Award (FFY2001)	7,914,250		
Bonus Award (FFY2002)	7,914,250		
Carry Forward From Prior Fiscal Year	28,256,886	9,664,170	4,838,528
<b>TANF Resources Available</b>	<b>\$ 202,370,386</b>	<b>\$ 167,949,170</b>	<b>\$ 163,123,528</b>
<b>TANF Expenditures</b>			
<i>VIP/VIEW Core Benefits and Services</i>			
TANF Income Benefits	58,262,047	49,174,054	49,174,054
TANF Child Support Supplement	7,800,000	3,900,000	3,900,000
VIEW Day Care	22,964,014	20,764,014	20,764,014
<b>Subtotal, VIP/VIEW Core Benefits and Services</b>	<b>\$ 89,026,061</b>	<b>\$ 73,838,068</b>	<b>\$ 73,838,068</b>
<i>Administration</i>			
State Administration	2,852,250	2,203,893	2,203,893
Information Systems	3,589,500	1,678,560	1,678,560
Local Eligibility and Administration	14,133,977	14,133,977	14,133,977
<b>Subtotal, Administration</b>	<b>\$ 20,575,727</b>	<b>\$ 18,016,430</b>	<b>\$ 18,016,430</b>
<i>Expanded TANF Programming</i>			
Local Foster Care/Adoptions Staff	9,300,000	9,300,000	9,300,000
Domestic Awareness Campaign	127,500	127,500	127,500
Community Action Agencies	3,775,399	3,397,859	3,397,859
Healthy Families/Health Start	4,599,800	4,139,820	4,139,820
Comprehensive Health Investment Project	2,245,155	2,020,640	2,020,640
Comprehensive Services Act Trust Fund	1,064,245	957,821	957,821
Competitive Grants (*)	-	18,500,000	18,500,000
Child Advocacy Centers	200,000	*	*
Dept of Health - Abstinence Program	179,350	*	*
Dept of Health - Partners in Prevention	850,000	*	*
Dept of Health - Teenage Pregnancy Prevention Programs	910,000	*	*
Dept of Health - Resource Mothers	176,800	*	*
Dept of Health - Right Choices for Youth	332,350	*	*

Dept of Health - Preg Prevention Mentoring Program	76,500	*	*
Dept of Health - Virginia Fatherhood Campaign	340,000	*	*
Economic Improvement Program	170,000	*	*
Food Bank Service Expansion	212,500	*	*
Hard to Serve Employment Services	2,550,000	*	*
TANF Disability Funds (was DRS)	711,875	*	*
Local Domestic Violence Grants	1,062,500	*	*
Virginia's Mentoring Initiative	76,500	*	*
St Paul's College Project	85,000	*	*
Transportation Grants	2,125,000	*	*
Centers for Employment & Training	637,500	*	*
Department of Housing & Community Development	4,910,128	*	*
Greater Richmond Transit Company (GRTC)	200,000	*	*
Virginia Mentoring Partnership (One-to-One Mentoring)	42,500	*	*
Opportunity Knocks	425,000	*	*
People, Inc.	42,500	*	*
United Community Ministries	42,500	*	*
Local Dept. - Employment Retention Program	4,190,368	*	*
<b>Subtotal, Expanded TANF Programming</b>	<b>\$ 41,660,970</b>	<b>\$ 38,443,639</b>	<b>\$ 38,443,639</b>
<b>TANF Expenditures, TOTAL</b>	<b>\$ 151,262,758</b>	<b>\$ 130,298,137</b>	<b>\$ 130,298,137</b>
<b>Transfers to other Block Grants</b>			
CCDF Transfer - Child Care Licensing	5,233,474	5,233,474	5,233,474
CCDF Transfer - Child Care Services	20,128,984	11,561,531	11,561,531
CCDF Transfer - Craig County Day Care	42,500	-	-
SSBG Transfer - Local Staff Support	9,101,387	9,101,387	9,101,387
SSBG Transfer - Special Needs Adoptions	2,000,000	2,000,000	2,000,000
SSBG Transfer - Comprehensive Services Act	4,727,113	4,727,113	4,727,113
SSBG Transfer - Fredericksburg Child Dental Clinic	10,000	9,000	9,000
SSBG Transfer - Health Care Foundation	200,000	180,000	180,000
<b>TANF Transfers, TOTAL</b>	<b>\$ 41,443,458</b>	<b>\$ 32,812,505</b>	<b>\$ 32,812,505</b>
<b>TOTAL, TANF Expenditures &amp; Transfers</b>	<b>\$ 192,706,216</b>	<b>\$ 163,110,642</b>	<b>\$ 163,110,642</b>
<b>TOTAL, TANF Resources</b>	<b>\$ 202,370,386</b>	<b>\$ 167,949,170</b>	<b>\$ 163,123,528</b>
<b>TANF, Remaining Balance (**)</b>	<b>\$ 9,664,170</b>	<b>\$ 4,838,528</b>	<b>\$ 12,887</b>
NOTES:			
* These programs and services will compete for \$18.5 million each year.			
** Remaining TANF balances are carried forward to the next fiscal year.			



- *Adjust NGF for Increased Revenues.* Adds \$94.7 million in FY 2005 and \$114.7 million in FY 2006 to adjust the nongeneral fund appropriation for the department as the result of changes in revenues. The changes include:
  - an increase of \$43.2 million for local government spending that is eligible for federal matching dollars such as Medicaid, food stamps, and child day care services. These revenues flow directly to localities;
  - a decrease of \$1.0 million for the Welfare to Work program that recently sunset;
  - an increase of \$68.7 million for additional federal revenues from the department’s revenue maximization efforts related to the federal IV-E foster care program;
  - an increase of \$38.4 million for federal grant increases that have not previously been reflected in the department’s budget (e.g., low-income energy assistance, community service block grant, crime victim’s assistance); and
  - an increase of \$60.0 million for additional child support collections and payments.
- **Center for Behavioral Rehabilitation**
  - *Staffing at Virginia Center for Behavioral Rehabilitation.* Provides \$3.6 million GF and 63 positions in FY 2005 and \$5.6 million GF and an additional 41 positions in FY 2006 for the civil commitment and treatment of sexually violent offenders at the Center for Behavioral Rehabilitation. The new positions will be added to the current staffing level of 73 full-time equivalents. While the Center has one patient at the present time, the number of offenders who are civilly committed to the program is expected to grow significantly through FY 2006. To satisfy projected growth in the program, which is currently situated on the campus of Central State Hospital and Central Virginia Training Center, a separate capital request is included to construct a 150-bed facility at a cost of \$31.8 million.

<b>Center for Behavioral Rehabilitation</b>		
	<b>FY 2005</b>	<b>FY 2006</b>
Projected Census	30	54
Eligible Pool of Offenders	205	214
Budget	\$3.6 million	\$5.6 million
Staff FTEs (Treatment)	57.0	73.0
Staff FTEs (Security)	80.0	105.0

- **Department for the Blind and Visually Impaired**
  - *Salary Reimbursement Study for Teachers of the Visually Impaired.* Adds language requiring the department to work with the Department of Education to study salary inequities for special education teachers of the visually impaired.
  - *Adjust Enterprise Appropriation.* Increases the appropriation for enterprise activities at the department by \$6.0 million NGF in FY 2005 and \$6.5 million NGF in FY 2006 to reflect the opening of new military supply stores and the addition of new product lines.