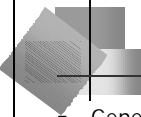


# House Appropriations Committee

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**Funding Recommendations proposed by the  
Subcommittees for the 2002-04 Budget  
(House Bill 29, as introduced)  
and  
2004-06 Budget  
(House Bill 30, as introduced)**

**February 22, 2004**



# Economic Outlook 2004-06 Biennium

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- General Fund “baseline” revenue forecast assumes economic growth rates of 5.3 percent in FY 2005 and 5.1 percent in FY 2006
  - Forecast assumes that major economic factors – jobs, personal income, and wage and salary growth – will reach trend levels achieved prior to the technology/stock market bubble
    - Growth rate for major tax sources is 6.2 percent and 5.7 percent, respectively
    - Forecast assumes Virginia will outperform projected national growth rates
  - Forecast reflects a softening in recordation tax revenues, due to declines in refinancing
    - Lowers the overall growth rates
- Mid-Session forecast submitted by the Governor on February 20<sup>th</sup> reflects stronger sales tax collections, nonwithholding payment, and recordation taxes
  - Offsetting these increases are weaker than anticipated corporate tax collections, insurance premium taxes and an expected increase in refunds owed
- Overall, the mid-Session revisions did not impact the baseline growth rates
  - The increase in sales tax collections will result in additional funding for school divisions
- Using the baseline forecast, approximately \$1.8 billion in net new general fund resources is available to meet increased spending requirements

2



## Revenues Generated by HB 1488

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- Total annual revenue generated - \$261.8 million
  - Distributed to general fund, schools, local governments and transportation
- Net increase to state general fund approximately \$148.5 million per year
  - State receives 2 cents - \$115.9 million per year
  - School divisions receive 1 cent - \$57.9 million
    - Money flowing to schools reduces educational costs paid by state and local governments
    - State saves approximately \$32.6 million per year
    - Locals save approximately \$25.3 million per year

3

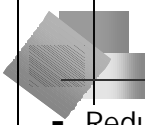


## Other Committee Resources

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- HB 106 providing for STARS radio system generates approximately \$14.0 million per year from a 2 percent fee on car rentals
- HB 1314 providing for Sunday sales at ABC generates \$1.6 million per year
- HB 246 removing the sales tax exemption on phone cards generates approximately \$780,000 per year
- Increase in the mark-up at ABC of 3 percent will generate approximately \$11.0 million per year
- Increase ABC license fees to reflect full cost recovery of process generates \$2.4 million per year

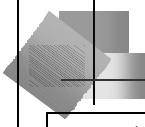
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## Other Committee Resources

- Reduces the proposed transfer of the entire “\$4-for-life” Fund
  - \$6.9 million per year
- Sale of the ABC building in Northern Virginia
  - \$3.0 million
- Change distribution formula for excess fees returned to Circuit Court Clerks to recover costs of Clerks operations
  - \$1.6 million per year
- Increased Medicaid recoveries
  - \$1.2 million in FY 2006
- DEQ – additional sale of Nox credits in FY 2004
  - \$3.1 million
- Level fund transfer to the SCC of Uninsured Motorist fees
  - \$700,000 in FY 2005 and \$1.4 million in FY 2006

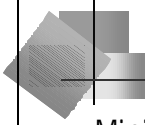
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## Summary of Committee General Fund Resources

\$ in millions	FY 2005	FY 2006	Biennium
FY 2004 Net Balance Forward	\$373.7		\$373.7
GF Revenue (baseline forecast) includes Lottery and Transfers	\$12,736.6	\$13,366.2	\$26,102.8
Revenues from Legislative Action	\$215.2	\$218.9	\$434.1
Total Resources Available	\$13,325.5	\$13,585.1	\$26,910.6
Base Budget (FY 2004 adjusted)	\$12,332.3	\$12,332.0	\$24,664.3
<b>Net Resources Available Over Base Budget for New Spending Requirements</b>	<b>\$993.2</b>	<b>\$1,253.1</b>	<b>\$2,246.3</b>

6

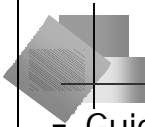


## Committee Budget Process

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- Minimize impact to agencies that have borne the brunt of previous reductions
- Allow the Committee to address pressing issues
  - Higher Education enrollment growth, moderate in-state undergraduate tuition increases, and provide financial aid and TAG
  - Provide full funding for the re-benchmarking of the Standards of Quality proposed by the Governor
    - Address the deduction of locally generated revenues
  - Provide full funding for Olmstead (Mental Health)
  - Protect the health care “safety net”
    - No enrollment caps for Children’s Health Insurance (FAMIS)
    - No benefit reductions or change in eligibility for Medicaid, provide full funding for utilization and inflation
  - Address the accumulated backlog in capital maintenance
    - Colleges have the greatest backlog

7

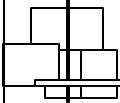


## Committee Budget Process

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- Guiding principles included:
  - Keeping the commitment to replenish the Rainy Day Fund
  - No new spending initiatives or program expansions
  - Level funding programs at FY 2004 level
  - Maintain Car Tax relief at 70 percent over the next two years
  - Limited restoration of previously reduced programs
  - No transfer from VDOT into the general fund
    - No general funds for transportation from insurance premium tax
  - Minimize use of one-time savings and non-general fund transfers
    - Avoid accounting gimmicks that would delay obligations

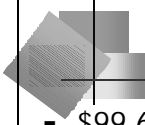
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## Report of the Higher Education Subcommittee

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- 
- ### Higher Education
- Provides an increase over the base budget of more than \$130 million or about 5 percent focused on undergraduate education needs at public institutions
  - Remove new initiatives proposed in the introduced budget
    - Research supplements – saves \$11.5 million
    - High-value crops – saves \$1.4 million
    - Arts grants – saves \$0.6 million
- 10

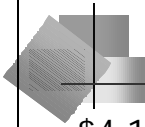


## Higher Education

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- \$99.6 million GF for public colleges and universities
  - \$85.8 million focused on undergraduate education with about \$35.6 million allocated to the community colleges
  - \$4.9 million for operations of new facilities
  - \$7.0 million to fully open the Northern Virginia Community College Medical Education Campus
  - \$2.0 million addresses increased health care premiums at the University of Virginia and lease payments at Tidewater Community College
- \$13.1 million for financial aid for undergraduates at public and private institutions
  - Financial aid for students at public institutions in order to maintain current level of need
  - TAG award increases from \$2,210 to \$2,500 in the second year

11



## Higher Education

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- \$4.1 million to keep our commitments to the Office of Civil Rights Accord
- \$3.1 million in operating support and \$3.0 million in equipment allocations from the Equipment Trust Fund for the Institute for Advanced Learning and Research at Danville
- \$2.9 million for electronic database licensing agreements to support increased undergraduate enrollment through the Virtual Library of Virginia

12



## Higher Education

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- \$8.9 million for lease payment costs to acquire \$110.2 million in new academic equipment and technology from the Equipment Trust Fund
  - Phase III of Prince William Campus of George Mason University - \$1.8 million
  - RISE I facility at Norfolk State University - \$2.0 million
  - Institute for Advanced Learning and Research at Danville - \$3.0 million

13

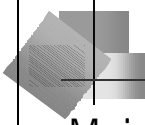


## Higher Education

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- Major Recommended Savings Strategies
  - Refocus Technology Research Fund to undergraduate programs - \$12.8 million
    - Currently no current commitments against the fund
  - Eliminate VWIL – saves \$1.5 million
  - Continue phase out of public service centers - saves \$1.4 million
  - Phase out generalist medicine initiative – saves \$1.1 million

14

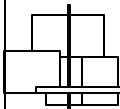


## Higher Education

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- Major Language Amendments
  - Joint Subcommittee Review Charter University
  - Jamestown 2007 Exemption for Procurement Provisions
  - Library of Virginia Building Maintenance
  - HJR 197 Study Language

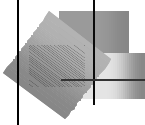
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## **Report of the Elementary and Secondary Education Subcommittee**





## Public Education

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- Recommendations for House Bill 29
  - Carry forward FY04 excess Lottery Funds for localities to support No Child Left Behind Act initiatives in FY05 – (\$9.9) million GF
  - Revised mid-session sales tax revenues - \$16.7 million GF

17



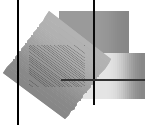
## Public Education

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### Recommendations for House Bill 30

- Provides \$739.4 million GF for the SOQ re-benchmarking as proposed by the Governor
- Re-instates the GA policy for not reducing of local revenue - Adds \$110.7 million GF
  - Redirect Student Achievement Grant - \$20.2 million GF
  - Additional state revenue - \$90.5 million GF
  - Unable to address the Governor's policy change to reduce federal revenue

18

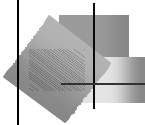


## Public Education

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- Incentive / Categorical Biennial Updates
  - At-Risk - \$13.1 million GF
  - K-3 Primary Class Size - \$12.8 million GF
  - Early Reading Intervention - \$2.1 million GF
- No Loss Provision - \$7.0 million GF
- SOL Assessment
  - Continue On-line testing implementation - \$3.6 million GF
  - Adjustment to contract services – \$6.3 million GF
- Project Graduation - \$6.2 million GF

19

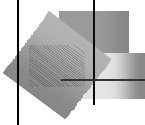


## Public Education

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- No Child Left Behind Act
  - Implement an Education Information Management System - \$4.4 million GF
  - Expand grade level testing - \$2.0 million GF
- Revised sales tax revenue estimates - \$188.3 million GF
  - December Baseline estimate - \$54.1 million GF
  - House Bill 1488 - \$115.9 million GF
  - Revised mid-session revenue estimates - \$18.3 million GF

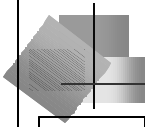
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## Public Education

- FY 2004 Level Funding saves \$26.5 million GF
  - English as a Second Language
  - Cost of Competing Adjustment

21

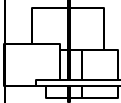


## Public Education

	FY 2004 (\$ in millions)	FY 2005 (\$ in millions)			FY 2006 (\$ in millions)		
	Adopted Chapter 1042	HB 30 *	Sub-Committee Recommendation	Variance	HB 30 *	Sub-Committee Recommendation	Variance
SOQ Accounts	\$3,710.6	\$3,981.5	\$4,032.1	\$50.6	\$4,049.3	\$4,100.3	\$51.0
Incentive Based Accounts	406.7	365.8	351.8	(14.0)	369.8	355.7	(14.1)
Categorical Accounts	115.0	124.3	124.1	(0.2)	131.1	130.8	(0.3)
Special Grants	<u>3.1</u>	<u>3.1</u>	<u>3.1</u>	<u>0.0</u>	<u>3.1</u>	<u>2.5</u>	<u>(0.6)</u>
Total	\$4,235.4	\$4,474.7	\$4,511.1	\$36.4	\$4,553.3	\$4,589.3	\$36.0

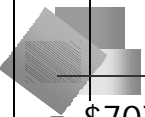
\* Governor's contingency spending based on passage of tax proposal included ESL, salary adjustment, Cost of Competing

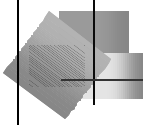
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## Report of the Health and Human Resources Subcommittee

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- 
- ## Health and Human Resources
- \$707.8 million GF to fully fund Medicaid utilization and inflation
    - Rebases hospital and nursing home rates
    - Provides inflationary adjustments for hospitals and nursing homes
    - Maintains current array of optional services and eligibility criteria
    - Imposes minimal copayments on lab and x-ray services, and durable medical equipment saving \$1.0 million over the biennium
    - Requires the Medicaid and Child Support Enforcement agencies to identify and recoup Medicaid costs in cases where noncustodial parents are required to provide medical support, resulting in Medicaid recoveries of \$1.2 million in FY 2006
    - Authorizes the Medicaid agency to begin collecting and analyzing HMO encounter data to better set HMO Medicaid rates
- 24



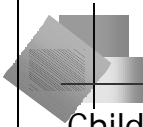
## Health and Human Resources

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### Medicaid Funding (continued)

- Provides \$2.5 million GF over the biennium to adjust payments for neonatal intensive care units serving a disproportionate share of Medicaid infants
- Restores \$2.3 million GF over the biennium to increase the pharmacy dispensing fee from \$3.75 to \$4.10 for generic drugs

25



## Health and Human Resources

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### Children's Health Insurance

- Provides \$16.5 million GF for enrollment growth in Medicaid for children in families with incomes between 100 and 133 percent of the federal poverty level
  - Will serve 3,912 additional children
  - Funds are matched at FAMIS match rate (\$2 for \$1 in federal matching funds)
- Provides \$14.8 million GF for FAMIS enrollment growth (\$2 for \$1 in federal matching funds)
  - Will insure 8,000 additional children

26



## Health and Human Resources

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- Provides \$43.8 million GF in required funding for the Comprehensive Services Act
  - Requires treatment foster care and residential providers to become Medicaid-certified to broaden the provider choices for Medicaid-eligible children, saving \$3.0 million GF over the biennium
  - Directs the CSA Office to work with the Medicaid agency and local teams to access a full array of Medicaid-funded services
  - Provides assistance to localities in collecting parental copayments
  - Encourages localities to serve children in the least restrictive environment and to report on use of residential facilities each year

27

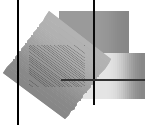


## Funding for Mentally Disabled

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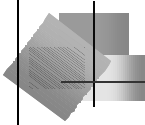
- \$29.6 million GF for a revenue shortfall in state mental health facilities
- Olmstead initiatives: \$27.4 million GF
  - Allows development of Medicaid home- and community-based waiver for persons with Alzheimer's disease or related dementias
  - Continues implementation of a Medicaid Buy-In waiver for up to 200 persons with disabilities to allow them to return to work or remain in the workforce while receiving Medicaid benefits

28



## Olmstead Initiatives

(GF \$ in millions)	<u>FY 2005</u>	<u>FY 2006</u>
Mentally Ill Discharge Assistance	\$3.6	\$5.4
160 New Mental Ret. Waiver Slots	2.7	4.0
3 New PACT Treatment Teams	2.0	2.6
Mentally Ill Children's Services	2.0	2.0
Purchase Private Acute Care Beds for Mentally Ill	1.0	1.0
25 New Dev. Disabled Waiver Slots	0.3	0.5
5 New Public Guardian Programs	0.1	0.2 <sub>29</sub>



## Other Mental Health Funding

- \$7.2 million GF in 2004-06 for the Center for Behavioral Rehabilitation (violent sexual predators)
  - Level funds FY 2006 at FY 2005 level
  - Provides staffing and treatment for the civil commitment of 36 violent sexual predators
- Treatment of conditionally released sex offenders in the community - \$0.9 million GF
- Provides \$3.1 million GF over the biennium for Involuntary Mental Commitments



## Health and Human Resources

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- Adds \$25.5 million GF for mandatory Foster Care and Adoptions
- Adds \$6.6 million GF for child day care subsidies for working parents
  - Funds matched by federal government on 50/50 basis
- Provides \$1.8 million GF for Electronic Benefit Transfer costs for the Food Stamp program

31



## Temporary Assistance to Needy Families Program (TANF)

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- Adds \$10.3 million GF each year to satisfy federal maintenance of effort requirements for the TANF Program
- Provides \$5.9 million in TANF funds each year for a child support supplement for TANF recipients
- Sets aside \$3.0 million each year as a contingency for caseload growth or federal reauthorization requirements

32





## TANF (continued)

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- Provides an additional \$2.0 million in TANF funds each year for child day care subsidies
  - Introduced budget had decreased child day care subsidies by this amount
- Level funds following programs at FY 2004 TANF levels:
  - Homeless Shelter Grants (\$4.9 million each year)
  - Community Action Agencies (\$3.8 million each year)
  - Healthy Families (\$4.6 million each year)
  - Hard to Serve Employment Services (\$2.6 million each year)
  - Local Domestic Violence Grants (\$1.1 million each year)
  - Centers for Employment and Training (\$637,500 each year)

33



## TANF Spending

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- Establishes a competitive block grant of TANF funds totaling \$1.5 million each year for services to engage current and former TANF recipients in activities to achieve and maintain self-sufficiency
- Awards would be to programs with a proven record of effectively delivering services, and leveraging private and public sector dollars for TANF activities

34



## Other Health and Human Resources Actions

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- Increases the fee for Vital Records from \$10 to \$12, saving \$1.8 million over the biennium
- Funding is used to offset the cost of Community Health Services in local health departments
- Provides \$5.8 million each year from the \$4-for-Life funds to EMS

35



## Report of the Natural Resources Subcommittee



## Water Quality Improvement Fund

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- Based on the FY 2003 year-end surplus, \$7.7 million GF is provided for deposit into the Water Quality Improvement Fund in FY 2005
  - \$5.8 million will be used by DEQ to assist wastewater treatment plants improve nutrient removal
  - \$1.9 million will be used by DCR to reduce nonpoint source pollution from agricultural and land development activities

37

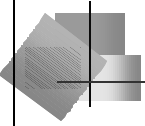


## Funding Restorations

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- \$1.0 million is provided to restore previous reductions to the State Parks
  - Support was reduced \$4.6 million in current biennium
- \$250,000 is provided to restore reductions in the support given to soil and water conservation districts
  - Support was reduced by \$1.4 million in current biennium
- Litter Control and Recycling Grants
  - Recommended funding policy provides grants in June rather than August of next fiscal year
    - Grant awards made to localities at the beginning of each fiscal year based on revenues collected in prior fiscal year
    - Authorized transfers swept funds collected for grants in FY 2005 into general fund
    - Localities will be reimbursed for litter control efforts rather than paid upfront
    - Ensures litter control and recycling grants will be paid in FY 2005

38

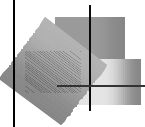


## Other Natural Resource Actions

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- \$515,659 for the Dam Safety Program
- \$258,000 for the construction of a seawall for Tangier Island harbor
- \$227,316 to provide biennial funding for an executive director at the Museum of Natural History

39

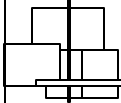


## Recommended Language Items

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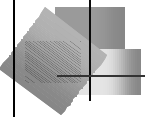
- Authorizes DCR to acquire state park and natural area lands without prior General Assembly approval when by gift or nongeneral fund payment
- Exempts DCR from General Services' capital outlay review procedures when constructing nongeneral fund-financed park projects
- Eliminates the matching requirement currently in place for Breaks Interstate Park appropriations
- Requires continued operation of Montibello Fish Hatchery by Game Department

40



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## Report of the Compensation and General Government Subcommittee

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- ## General Government
- \$87.0 million provided in FY 2006 for a mandatory deposit to Revenue Stabilization Fund
  - \$15.0 million provided for an additional deposit to Revenue Stabilization Fund
  - \$14.8 million is provided for projected increases in the costs of indigent defense
  - Establishes four new public defender offices: Saves \$700,715 GF
    - Arlington, Chesapeake, Hampton, and Newport News
- 42



## General Government Reductions

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- Eliminates new initiatives
  - School efficiency review: Saves \$5.7 million GF
    - Legislation creating framework for reviews failed
  - Tax reform costs: Saves \$5.3 million GF
- Funds Treasurers and Commissioners of the Revenue for state duties: Saves \$6.8 million
- Level funds distribution of profits from alcoholic beverage sales and wine taxes: Saves \$8.2 million
  - Localities will continue to receive FY 2004 amounts

43



## General Government Reductions

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- Adjust expenses at Department of Taxation to reflect end of tax amnesty: Saves \$1.2 million
  - New funding and positions appropriated in FY 2003 to assist with compliance and to account for tax amnesty requirements
- Eliminate funding for Council on Virginia's Future: Saves \$600,000
  - Effort assisted by Department of Planning and Budget
- Reduce expenditures for public broadcasting: Saves \$360,000
  - Represents a five percent reduction in support
- Base adjustments to legislative agencies: Saves \$524,236
  - Legislative Services: \$320,000
  - Auditor of Public Accounts: \$156,870
  - Commission on Youth: \$47,366

44



## General Government Language

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- Instructs Supreme Court to examine the costs of establishing family courts in Virginia
- Requires the Attorney General to deposit \$3.4 million each year from collections on behalf of state agencies to the general fund
- Authorizes the issuance of a \$5.0 million treasury loan to DGS for expansion of the spend management program
- Requires circuit court clerks to maintain clean audits and to address persistent audit findings in order to receive pay raises
- Restricts payments in lieu of taxes to the City of Richmond by the Museum of Fine Arts to no more than 2.5 percent of the agency's budget

45

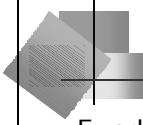


## Employee Compensation

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- \$52.4 million is provided for a three percent salary increase, effective December 2005
  - Provided to state employees, state-supported local employees, and higher education faculty
    - HB 30 funding for a December 2005 salary increase was contingent
- \$0.8 million provided for a 9.3% salary increase for Capitol Police
- \$66.1 million is provided for the employer share of the State Employee Health Insurance Program's premiums
  - Employee and employer premiums will increase 14 percent
    - Assumes no benefit or plan changes
- \$17.3 million for premium increase for the Virginia Sickness and Disability Program

46

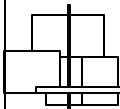


## Compensation Savings Strategies

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- Fund VRS state employee system at actuary rate versus “pooled” rate (saves \$58.3 million GF for state agencies)
  - Pooled rate results in higher rate for state system and lower rate for teacher system
- Limit state reimbursement for teacher retirement to 6.03%: (saves \$22.0 million GF)
  - Recommend 3-year phase-in of rate reflecting local unfunded liability beginning in FY 2006
    - Localities responsible for entire unfunded liability rate above 6.03%
    - Consistent with state’s reimbursement of Constitutional Offices retirement costs
  - Capping state reimbursement will limit future state liability
- Retiree Health Credit Employer Rate: saves \$5.1 million
  - Actuary’s revised rate calculation includes VRS investment earnings assumption on health credit fund balances

47



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## Report of the Public Safety Subcommittee





## Public Safety

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- DOC will be required to house about 35,500 inmates by June 2006 based on current forecast
  - About 2,500 state-responsible inmates held out-of-compliance in local jails
  - All 31,800 DOC beds are now needed to house state inmates
- Provides \$35.0 million GF to enable DOC to return out-of-state inmate revenue
  - Provides 1,100 beds for state inmates in local jails

49



## Public Safety

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- Provides \$26.4 million GF to expand DOC capacity to house inmates
  - Reopen Nottoway Work Center
    - 200 beds July 2004
  - Utilize temporary/emergency DOC beds
    - Additional 479 beds
  - Direct inmate cost
    - Support additional inmates/medical costs in DOC system

50



## Public Safety

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- Provides \$18.9 million GF to support local jails and sheriffs' law enforcement
  - Jail staff for new/expanded Jails
  - 91 jail staff for jail overcrowding
  - Expand jail contract bed program
  - 26 law enforcement deputies: 1:1,500 population
  - Exempt selected jails from moratorium on planning new or expanded jails

51



## Public Safety

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- Other public safety recommended actions include:
  - Statewide Agencies Radio System (STARS) project management - \$4.5 million
    - Funding had been contingent on tax package
  - Continue 2003 State Police retention plan - \$2.1 million
  - Provide security staff for juvenile correctional centers -- \$2.0 million
    - Funding had been contingent on tax package

52



## Public Safety: Savings Strategies

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- Level funds "599" program at FY 2004 levels - \$35.6 million
  - Localities will continue to receive FY 2004 amounts
    - Funding contingent on tax package
- Funding for SAFER program - \$1.3 million
- Phase II of State Police retention plan - \$2.9 million
- Phase-in funding of following programs
  - Direct inmate cost (DOC and DJJ)
  - Inmate pre-release and transition programs (DJJ)
  - JCC positions pending system utilization review (DJJ)
- Level fund Commonwealth's Attorneys' Services Council - \$0.4 million
  - Funding contingent on tax package

53

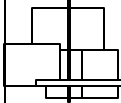


## Public Safety: Savings Strategies

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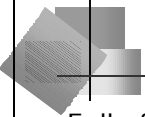
- State financial support for local jail operations projected to increase to over \$260 million in FY 2005
  - \$200 million for 6,600 jail staff/\$62 million for inmate per diems
  - State provides 25% of approved construction cost of single jail facility or 50% of approved construction cost of regional jails
- Compensation Board reported that state funding accounted for more than 54% of local jail expenditures statewide in FY 2002
  - 2003 adult inmate forecast determined that 23% of local jail inmates are classified as state responsible inmates
- Local jail inmate per diem – Saves \$16.2 million GF
  - Establish rate for local inmates at \$6/day
  - Increase rate for state out-of-compliance from \$6 to \$12/day

54



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# Report of the Transportation Subcommittee

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- 
- ## Transportation
- Fully funds FRAN debt service from the general fund at a cost of \$37.4 million GF each year
    - Fulfills House commitment to pay debt service on FRANs issued to replace \$317.0 million transferred from transportation trust fund to GF in FY 2003
  - Provides an additional \$28.9 million each year to the Transportation Trust Fund from HB 1488
    - Distributed according to the Code formula
      - Aviation (2.4%): \$695,474 each year
      - Ports (4.2%): \$1,207,079 each year
      - DRPT (14.7%): \$4,259,778 each year
      - VDOT (78.7%): \$22,805,749 each year



## Transportation

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- No funding provided from insurance premium revenues (\$272.0 million over biennium)
  - This funding was contingent upon passage of the Governor's tax proposal
  - General fund source not provided to VDOT in FY 2004 and not included in the current Six-Year Improvement Program
- No transfer of VDOT funds to the general fund

57

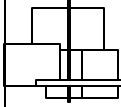


## Transportation

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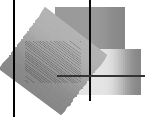
- Department of Motor Vehicles directed to implement recommendations of November 2003 Auditor of Public Accounts Special Report
  - Implement cost accounting system
  - Determine ways to expand service delivery in most cost-effective fashion
  - Compare true total costs of services to fees
- VDOT directed to incorporate into its annual financial plan evaluation of opportunities to expand outsourcing and devolution of services

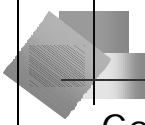
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## Report of the Commerce and Technology Subcommittee

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- ### Commerce and Technology
- Provide increase for Secretariat of Commerce and Trade of \$4.0 million each year over FY 2004 levels
  - Focus funding on core activities by restoring portion of marketing reductions at VEDP and VTA
    - \$600,000 each year restored to VTA
      - \$100,000 each year restored to Tredegar Civil War Center
      - \$500,000 each year for core tourism promotion, including \$25,000 each year for the Coalfields Tourism Authority
    - VEDP provided \$400,000 the first year and \$314,000 the second year to attract business to the Commonwealth
- 60

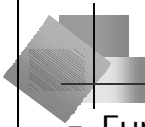


## Commerce and Technology

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- Governor's Opportunity Fund -- \$19.0 million for biennium compared to \$17.5 million in FY 2002-04
- Provide \$11.5 million over biennium as first installment of Commonwealth's commitments under Semiconductor Manufacturing Incentive Grant program

61

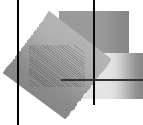


## Commerce and Technology

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- Funding for Rural Communities
  - \$500,000 each year to Department of Housing and Community Development for job creation incentive grants for distressed areas
  - \$425,000 for DBA capital access fund from savings generated by merging DBA and DMBE
  - Funding for Secretary of Agriculture and Forestry beginning with election of next Governor per HB 1212
  - \$150,000 each year to restore funding for agricultural education specialists

62

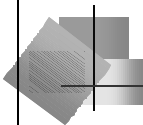


## Commerce and Technology

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- Reduce VDACS weights and measures fee from \$9 to \$4
  - Allows VDACS to support operations without eliminating any staff, reduces burden on impacted industries
- Fund Forestry two-way radio system replacement
  - Funding had been contingent on tax package
  - \$368,000 provided in central appropriations
- \$1.0 million provided over the biennium for Virginia Commission on Military Bases to help Commonwealth prepare for federal BRAC process

63



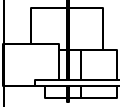
## Commerce and Technology

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- Proposals for new Commerce and Trade initiatives totaling \$5.8 million for biennium were not funded
- Reduce DBA small business incubator program by \$250,000 each year
- Fund VITA consolidation and equipment costs through Internal Service Fund charges
  - Reduces GF \$7.8 million for biennium
  - VITA has JLARC-approved internal service fund rates
  - Internal Service Fund model assumes these types of costs should be borne by agencies utilizing the services

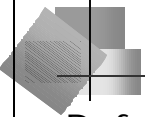
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# Report of the Capital Outlay Subcommittee

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- ## Capital Outlay
- Deferred capital maintenance backlog is approaching \$800 million
  - Create Building Systems Repair and Replacement Fund
    - \$200 million using 10-year financing mechanism
    - Reduces our deferred backlog by about 25 percent
    - \$22.5 million recommended for debt service
- 66



## Capital Outlay

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- Debt Service Savings
  - Refinance existing debt (\$7.0 million)
  - Out-of-state student fee for equipment trust fund purchases (\$2.4 million) and new building repair fund (\$1.7 million)
    - Total of both fees is less than 1 percent

67



## Capital Outlay

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- Address high priority projects in HB 30 - \$43.8 million
  - VIMS Replace Field Support Facility - \$1.7 million
  - GMU North Loop Infrastructure - \$3.3 million
  - VMI Kilbourne Hall Phase I - \$4.5 million
  - NSU Police & Public Safety Building - \$4.1 million
  - ODU Health Building & 43<sup>rd</sup> Street - \$4.5 million
  - UVA McLeod Hall (Nursing) - \$6.0 million
  - VCU Business School (Monroe) - \$15.3 million
  - VCCS Blue Ridge Science Building - \$2.1 million
  - VCCS Central Va. Science Labs - \$0.8 million
  - Jamestown Ships & Yorktown Gallery - \$1.5 million

68



## Capital Outlay

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- Projects eliminated from HB 30 – saves \$20.8 million in tax-supported debt
  - Biotechnology Shell Building - \$10 million
  - VDACS Eastern Shore Marketing Office - \$0.7 million
  - DOC Expansion of Dairy Barn - \$7.9 million
  - VCU Dental Simulation Lab - \$2.2 million

69



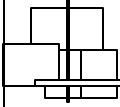
## Capital Outlay

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	Introduced Capital Plan	Subcommittee's Recommended Capital Plan	Difference
HB 30	\$347.3 million	\$570.4 million	+\$223.1 million
HB 93	\$273.3 million	\$0	(\$273.3) million
HB 106	\$159.3 million	\$159.3 million	\$0
Total	\$779.9 million	\$729.7 million	(\$50.2) million

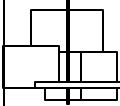
- Subcommittee recommendations reduce the amount of tax-supported debt by \$50.2 million
- This includes the creation of the Building Systems Repair and Replacement Fund
- Net general fund savings in capital outlay \$51.4 million

70



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**Report of the Special  
Budget Review  
Subcommittee**



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**Summary of Major  
Committee Spending  
Over Base Levels**

## Summary of Major Committee Spending Over Base Levels

GF \$ in Millions	FY 2005	FY 2006	Total
Public Education Re-benchmark SOO, sales tax, composite index, Fringe Benefits and Categorical*	\$330.0	\$409.4	\$739.4
Public Education – Fix Local Revenue Deduction	\$55.1	\$55.6	\$110.7
Public Education – “No Loss” Initiative	\$3.2	\$3.8	\$7.0
Public Education – Expand Project Graduation	\$3.0	\$3.2	\$6.2
Public Education – No Child Left Behind (NCLB) Local Support	\$4.4	\$5.1	\$9.5
Public Education – NCLB Statewide Student Information System	\$0.8	\$3.6	\$4.4
Public Education – NCLB Testing Expansion	\$1.0	\$1.0	\$2.0
Public Education – SOL Assessment – Testing	\$1.8	\$4.5	\$6.3
Public Education – SOL Assessment Implement On-Line Testing	\$1.5	\$2.1	\$3.6
Public Education – National Board Certification Bonuses	\$0.6	\$0.8	\$1.4
Medicaid Utilization and Inflation	\$272.0	\$435.8	\$707.8
Medicaid Unrealized Savings	\$6.9	\$6.9	\$13.8
Comprehensive Services Act	\$17.9	\$25.9	\$43.8
Adoption and Foster Care	\$9.4	\$16.1	\$25.5
MHMR Facility Revenue Shortfall	\$14.8	\$14.8	\$29.6

73

## Summary of Major Committee Spending Over Base Levels

GF \$ in Millions	FY 2005	FY 2006	Total
Medicaid Low-income Children	\$8.1	\$8.4	\$16.5
Olmstead Initiatives	\$11.7	15.7	\$27.4
Sexually Violent Predator Program	\$3.6	\$3.6	\$7.2
FAMIS (Children's health insurance) Enrollment Growth	\$6.2	\$8.6	\$14.8
TANF – Maintenance of Effort	\$10.3	\$10.4	\$20.7
Neonatal Intensive Care Units Medicaid Payment Adjustment	\$1.2	\$1.3	\$2.5
Partially Restore Pharmacy Dispensing Fee	\$1.1	\$1.2	\$2.3
Car Tax – Maintaining 70%	\$27.2	\$76.2	\$103.4
Federal Revenue Anticipation Note (FRAN) Debt Service	\$37.4	\$37.4	\$74.8
General Obligation Bonds Debt Service Payments	\$13.4	\$30.1	\$43.5
Rainy Day Fund Payment – Required by Constitution	\$0	\$87.0	\$87.0
Additional Rainy Day Fund Payment		\$15.0	\$15.0
Debt Service – Building Systems Repair and Replacement Fund	\$4.5	\$16.3	\$20.8

74

## Summary of Major Committee Spending Over Base Levels

GF \$ in Millions	FY 2005	FY 2006	Total
Higher Education Enrollment Growth/Base Operating	\$31.6	\$54.2	\$85.8
Higher Education – Open new facilities and campuses	\$5.9	\$6.8	\$12.7
Higher Education - Financial Aid/TAG	\$5.5	\$7.6	\$13.1
Higher Education - Equipment Trust Fund Lease Payments	\$0	\$8.9	\$8.9
Other Education - Open new facilities at Jamestown Yorktown	\$1.0	\$1.2	\$2.2
State Police – replace radio system (STARS)	\$4.0	\$12.6	\$16.6
Adult Corrections – loss of out of state revenue, new capacity	\$27.7	\$38.0	\$65.7
Juvenile Corrections	\$5.2	\$5.3	\$10.5
Sheriffs – per diem payments, new deputies - 1:1500 & jail	\$5.7	\$13.2	\$18.9
State Employee Health Insurance rate adjustments	\$32.3	\$33.7	\$66.0
Criminal & Involuntary Mental Commitment Fund	\$6.9	\$11.0	\$17.9
Economic Development Incentive Payments	\$4.7	\$6.7	\$11.4
Commerce and Trade Programs	\$2.0	\$2.0	\$4.0
State Parks and Soil and Water Conservation Districts	\$0.6	\$0.6	\$1.2

75