Health and Human Resources

The Governor's introduced budget for Health and Human Resources agencies reduces spending by a net total of $222.1 million GF and increases nongeneral fund spending by $392.0 million over the biennium. This total reflects new biennial spending of $296.1 million GF and $416.5 million NGF offset by reductions of $518.2 million GF and $24.6 million NGF. In addition, balance reversions and transfers of nongeneral fund revenue provide a savings of $65.2 million GF.

Funding for the Medicaid program, one of the fastest growing programs within Health and Human Resources as well as the largest, is offset by a proposed increase in the cigarette tax from 30 to 60 cents per pack effective July 1, 2009. The 30-cent per pack increase is expected to generate $154.9 million NGF in FY 2010. Revenues from the tax are deposited into the Virginia Health Care Fund, which are used to match federal Medicaid funds. Therefore, an increase in revenues allows for a reduction in general funds. Targeted reductions in Medicaid involve shifting provider payments for savings of $126.5 million GF in FY 2009, reducing provider payments saving $24.6 million GF in FY 2010, and capping enrollment and services in long-term care waivers saving $24.8 million GF over the biennium. In addition, Medicaid savings of $7.1 million GF in the second year are realized by implementing a provider assessment on intermediate care facilities for the mentally retarded (ICF-MRs).

Other significant reductions include $16.0 million GF in savings in FY 2010 from the closure of Southeastern Virginia Training Center, the children and adolescent unit at Southwestern Mental Health Institute and the Commonwealth Center for Children and Adolescents located on the Western State Hospital campus. A portion of the funds from the closure of these three facilities will be set aside to transition individuals into community placements. In addition, a savings of $12.0 million GF is included in the Comprehensive Services Act program resulting from lower utilization of services.

Mandated spending on Medicaid and children's health insurance programs, due to enrollment and utilization increases, is fully funded in the introduced budget with $280.1 million GF for the biennium. An additional $1.8 million is provided for medical services due to increases in involuntary mental commitments. Other significant spending includes an additional $1.7 million GF for a 3 percent increase in rates for consumer-directed personal care for individuals enrolled in Medicaid home- and community-based waivers. In the Department of Social Services, an additional $2.4 million GF is provided to cover the increased cost of adoption subsidy payments, and an additional $1.0 million GF in FY 2009 is provided for the Federation of Virginia Food Banks.

- **Comprehensive Services for At-Risk Youth and Families**
  - ***Utilization of Services.*** Reduces spending by $5.7 million GF the first year and $6.3 million GF the second year to reflect lower utilization of CSA services. Policy changes adopted by the State Executive Council in FY 2008 pursuant to an Attorney General opinion requires CSA to provide mental health services to children and adolescents who are at-risk of placement in the state's custody if treatment is not provided. These services are provided to children through

parental agreements. CSA funding included in Chapter 879 contained $12.0 million each year to provide services to children through these parental agreements. The number of children qualifying for CSA services through these agreements has been fewer than originally projected, resulting in a savings of $5.0 million GF each year.

In addition, the program is experiencing a reduction in the number of children that are placed in out-of-state residential facilities which are usually more expensive due to the highly specialized nature of the services provided. Current program data indicate that out-of-state placements are declining by about 10 percent annually, resulting in a savings of $700,000 GF the first year and $1.3 million the second year.

– ***Elimination of Community Infrastructure Grants.*** Eliminates $500,000 GF each year for competitive grants to localities to encourage the development of community-based services as opposed to higher cost residential services outside of the community.

- **Department for the Aging**

  – ***Reduce Funding for Community-Based Providers.*** Reduces general fund support for ten community-based aging services providers totaling $204,603 the first year and $331,068 the second year. Services provided include adult day care, medication assistance, and companion care.

  – ***Provide Special Funds for Fan Care Program.*** Adds $60,000 NGF in FY 2010 for a grant from Dominion Virginia Power to assist elderly individuals in purchasing fans for the summer. This has been an ongoing grant, however, the agency needs appropriation authority to continue the program.

- **Department for the Deaf and Hard of Hearing**

  – ***Eliminate Requirement for Employment Levels at the Relay Center in Norton.*** Language is eliminated requiring the Relay Center to maintain at least 105 full-time equivalent positions. The number of calls processed by the Relay Center has declined by 53 percent since 2003, while the average number of relay minutes handled by a relay operator has declined from 5,000 minutes to 1,800 minutes per operator per month. At present, the Relay Center maintains the minimum number of required positions which does not reflect the decreased demand for relay services.

- **Department of Health**

  – ***Administrative Reductions and Efficiencies.*** Reduces $4.4 million GF the first year and $6.6 million GF the second year through a combination of administrative reductions and program efficiencies. Strategies include layoffs, elimination of vacant positions, operational efficiencies and reductions in ineffective programs.

- *Service Reductions and Program Eliminations.* Reduces $1.6 million GF the first year and $2.3 million GF the second year by reducing or eliminating services. Notable service reductions include:

  - The phase-out of financial incentives to attract physicians and dentists to work in underserved regions of the Commonwealth ($2.3 million biennial savings);

  - The reduction of funding for locally-administered health departments in Fairfax and Arlington ($1.4 million biennial savings).

- *Replace General Fund Spending with Other Resources.* Reduces $1.1 million GF the first year and $2.2 million GF the second year by tapping other non-general fund resources such as fee revenues, agency fund balances, and federal funding for agency operations.

- *Consolidate Poison Control Centers.* Reduces $1.0 million GF the second year by consolidating three poison control centers into a single statewide center. Currently, poison control centers operate on a general fund budget of $1.5 million annually at the University of Virginia, Virginia Commonwealth University and the National Capital Poison Center in Washington, D.C. This proposal will consolidate those services at one location with the expectation that services will not be diminished.

- *Reduced Funding for Community-Based Providers*. Reduces $118,586 GF the first year and $154,684 GF the second year from 13 organizations providing health or health care services in their communities. All of these organizations were targeted for budget reductions in October. Funding allows these organizations to address local health care needs such as AIDS, sickle-cell disease, workforce issues, and services for the uninsured.

- *Eliminate Program Funding.* General fund support for the following organizations is reduced by $73,644 GF the first year and $490,957 GF the second year, resulting in the elimination of state funding. Funding will cease for:

  - The Virginia Transplant Council to operate the Commonwealth's Organ and Tissue Donor Registry;

  - Virginia Health Information for the administration of patient level data and the Outpatient Data Reporting System; and

  - Two obstetrical services pilot projects located in rural communities (e.g., Emporia and the Northern Neck.)

- *Increase Death Investigators.* Adds $24,680 GF the first year and $430,403 GF the second year to increase from 14 to 20 the number of death investigators within district offices of the Office of the Chief Medical Examiner (OCME). Two of the Commonwealth's four district offices are out of compliance with national accreditation standards. The addition of six full-time investigators should help the OCME comply with national staffing standards and reduce the length of time between a death investigation and its reporting to the medical examiner's district office.

– ***NGF for HIV/AIDS Prevention and Treatment Services.*** Adds $104,292 NGF each year from a federally-funded Centers for Disease Control and Prevention initiative to support HIV testing. Funding will be used to add two additional staff at the Health Department to manage the new initiative.

– ***Redirect New NGF for State Police Med-flight Operations.*** Redirects $1.6 million NGF from a $0.25 increase in motor vehicle registration fees for med-flight operations. Last session, the General Assembly increased registration fees by $0.25; funding was to be deposited into the Rescue Squad Assistance Fund for certification and recertification training for emergency medical services workers.

– ***Agency Balances Reverted to General Fund***. Diverts $11.0 million to the general fund from balances that have accrued to the following funds: Water Improvement Construction; Vital Statistics Automation; Local Health District Service Fee; Indirect Cost Recoveries; nursing, physician and dental scholarship and loan repayment programs; and other special funds.

– ***Certificate of Public Need Process (COPN)***. Adds language to override statute and eliminates the role of local Regional Health Planning Agencies (RHPA) in the COPN process. General fund support of local RHPAs was eliminated in the current biennial budget; RHPAs were expected to operate on excess fee revenues from COPN applications, after funding for the Health Department's Division on COPN was funded. Budget language is modified to discontinue fee revenues for local RHPAs beginning July 1, 2009.

- **Department of Medical Assistance Services**

Forecast Changes

– ***Medicaid Cost Increases.*** Adds $133.8 million GF and $129.5 million NGF the first year and $134.6 million GF and $115.2 million NGF the second year to fully fund projected increases in enrollment and utilization of medical services for the Medicaid program. Nongeneral funds are provided through matching federal Medicaid dollars. Medicaid spending is projected to grow by 12 percent in FY 2009 and 7 percent in FY 2010. The projected growth rate in FY 2009 is higher than expected because $37.0 million GF in Medicaid FY 2008 payments were deferred into FY 2009. This deferral was required because managed care enrollment growth and increases in medical expenses for inpatient hospital, physician and pharmacy services exceeded estimates. It had been expected that the expansion of managed care to the Lynchburg area would reduce fee-for-service medical expenses. However, savings from the expansion were overestimated. Had Medicaid expenditures not been deferred, the growth rate in FY 2009 would be 8 percent. In addition, tobacco revenue totaling $6.1 million which is used to offset

Medicaid general fund obligations was not received and deposited until after the close of FY 2008.

The program is projected to continue to experience small but steady enrollment growth in the number of low-income aged, blind and disabled individuals served by the program, and growth of about 6 percent annually in the enrollment of low-income children and adults with children. The rising cost of health care services, including inpatient and outpatient hospital services, physician services and nursing facility services, requires additional resources to fund the program's growth. In addition, Medicaid will be required to pay the federal government 7.2 percent more for Medicare Part D payments based on the estimate of increased pharmacy costs for Medicaid enrollees who are also eligible for Medicare benefits.

In a departure from previous Medicaid forecasts, medical cost inflation for hospitals, nursing homes, and residential psychiatric facilities -- required by Medicaid regulations or policy -- are not included in the most recent forecast of projected costs for FY 2010. If these costs had been included, the Medicaid forecast for FY 2010 would have increased by an additional $36.6 million GF and a commensurate amount of federal matching dollars. The forecast also does not include $463,409 GF in FY 2010 inflationary costs for home health and rehabilitation agencies which was part of the agency reduction strategies adopted by the Governor in August pursuant to the 2008 Appropriation Act.

In addition, the Medicaid forecast does not include $21.0 million GF and a like amount of federal matching funds in FY 2010 for managed care organizations due to a revised actuarial review of Medicaid managed care rates. The actuary estimated a rate increase of 10 percent for FY 2010 compared to a rate of 7 percent which was included in Chapter 879. The introduced budget assumes no change to those rates for FY 2010. Federal Medicaid regulations require managed care rates to be actuarially sound and certified as such by an actuary. In addition, the federal Medicaid agency, CMS, must approve the rates each year.

– ***Family Access to Medical Insurance Security (FAMIS) Cost Increases.*** Increases funding by $3.3 million GF and $6.2 million NGF in FY 2009 and $5.0 million GF and $8.4 million NGF in FY 2010 to address anticipated caseload and expenditure growth for the FAMIS program. FAMIS spending is projected to grow by 24.8 percent in FY 2009 and 17.7 percent in FY 2010, compared to a growth rate of 21.1 percent rate in FY 2008. Monthly enrollment in FAMIS is expected to grow by 17.4 percent in FY 2009 and 6.0 percent in FY 2010 from almost 53,000 children in FY 2008 to more than 65,000 in FY 2010.

– ***Medicaid State Children's Health Insurance Program (SCHIP).*** The proposed budget adds almost $1.0 million GF and $1.8 million NGF in FY 2009 and $2.3 million GF and $4.4 million NGF in FY 2010 to fully fund caseload and expenditure growth for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level. The federal government matches Medicaid expenditures for these children at the same rate as that provided for the FAMIS program (about 65 percent). Projected monthly enrollment in Medicaid SCHIP is expected to grow 6.0 percent in FY 2009 and 5.6 percent in FY 2010 from about 37,000 children in FY 2008 to almost 41,000 in FY 2010.

– ***Involuntary Mental Commitments.*** Adds $1.1 million GF the first year and $687,481 GF the second year reflecting recent data that indicates payments from the Involuntary Mental Commitment Fund will be slightly more than currently budgeted. The fund pays for the cost of hospital and physician services for individuals who are subject to the involuntary mental heath commitment process.

– ***Virginia Health Care Fund (VHCF).*** Adds $6.7 million GF and reduces a like amount of nongeneral funds in FY 2009 as a result of lower than estimated revenues to the Virginia Health Care Fund. Prior-year Medicaid recoveries deposited into the fund are expected to be lower in FY 2009 because a settlement payment from the drug manufacturer, Merck, was deposited into the fund in FY 2008, earlier than previously anticipated. Established in 2004, the VHCF is comprised of tobacco tax revenues, a portion of the master tobacco settlement payments, and Medicaid recoveries. Because revenues in the fund are used to match federal Medicaid spending, lower revenue to the Fund results in the need for additional general fund monies.

Proposed Increase

– ***Consumer-Directed Personal Care Rate Increase.*** Adds $1.7 million GF and $1.7 million NGF in FY 2010 to increase rates paid to providers of consumer-directed personal care, respite care and companion care to Medicaid recipients enrolled in home- and community-based waivers. The rates would increase by 3 percent, raising hourly rates in Northern Virginia from $11.14 to $11.47 and in the rest of the state from $8.60 to $8.86.

Replace GF with Other Resources

– ***Increase in Tobacco Taxes to Offset Medicaid Costs.*** Reduces general fund spending in the Medicaid program by $154.9 million in FY 2010 due to additional revenue in the Virginia Health Care Fund from a proposed increase in tobacco taxes of 30 cents per pack and a change in the tax for other tobacco products to a 25 cents per ounce rate for moist snuff. Revenue in the Fund offsets the state's Medicaid costs. Separate legislation will be proposed to increase the tobacco taxes.

– ***Assessment on Providers of Intermediate Care Facilities for the Mentally Retarded (ICF-MRs) Services.*** Proposes an assessment of 5.5 percent on total revenues collected by providers of ICF-MR services to generate $7.1 million in general funds in FY 2010, which will be used to draw down matching federal Medicaid funds. The state would return the funding to these facilities in the form of Medicaid payments for their increased costs related to the assessment fee. The state would retain a portion of funding, thereby offsetting state general fund costs in the Medicaid program.

– ***Additional Pharmacy Rebates on Drugs.*** Captures savings from drug manufacturers from rebates on physician-administered and institutional drugs used as part of a hospital stay which are paid for through inpatient hospital services. Federal law requires all states to begin collecting rebates on physician-administered drugs and requires hospitals to report the actual drugs administered so the Medicaid program can claim rebates from manufacturers. The program will realize a savings of $1.1 million GF in FY 2009 and $1.3 million GF in FY 2010 and a like amount of savings in federal funding.

– ***Retain Administrative Revenue from School Health Medicaid Participation.*** Saves $516,164 GF in FY 2010 by retaining 5 percent of federal reimbursements to school divisions for medical and transportation services for Medicaid eligible children. Currently, the department passes on 100 percent of federal matching funds to participating local school divisions for their expenses associated with special education services for Medicaid eligible children.

Budget Savings Strategies

– ***Change/Reduce Provider Payments.*** Reduces Medicaid spending over the biennium by $151.0 million GF and a like amount of federal matching funds by shifting or reducing provider payments. Changing the reimbursement schedules for providers from FY 2009 year-end into FY 2010 results in a savings of $126.5 million GF and $126.5 million NGF in FY 2009. Reducing provider payments results in savings of $24.6 million GF and $23.5 million NGF in FY 2010. These changes are outlined in the following tables:

Changes in Provider Payment Schedules	FY 2009 GF Savings	FY 2009 NGF Savings	FY 2010 GF Savings	FY 2010 NGF Savings
Managed Care Organizations:				
• Lags monthly payments by one month beginning June 2009	$59.8	$59.8		
Inpatient Hospitals:				
• Changes quarterly special payments from last quarter to the first quarter of the next fiscal year beginning June 2009	$32.2	$32..2		
Other Medicaid Providers:				
• Increases the billing lag for Medicaid payments from one week to two weeks beginning the last week of FY 2009	$25.0	$25.0		
Medicare Part A and B premiums:				
• Changes payments to the federal government from the end of the state fiscal year until the beginning of the next fiscal year starting June 2009, as allowed by federal rules	$9.5	$9.5		

*Special payments include Disproportionate Share Hospital, Direct Medical Education and Indirect Medical Education payments.

Provider Payment Reductions	FY 2009 GF Savings	FY 2009 NGF Savings	FY 2010 GF Savings	FY 2010 NGF Savings
Inpatient Hospitals:				
• Reduce allowable costs from 78 to 75 percent for acute and rehabilitation hospital*			$15.7	$15.4
• Reduce allowable costs from 84 to 81 percent for inpatient psychiatric services*				
• Reduce capital costs from 80 to 75 percent of allowable costs*			$4.4	$4.3
• Eliminate special indirect medical education payments for high Medicaid usage of Neonatal Intensive Care Units in non-Virginia hospitals			$0.1	$0.1
• Eliminate payments for hospital acquired conditions			$0.1	$0.1
Long-Stay Hospitals: Modify reimbursement method from cost-based to method used for all other hospitals			$1.0	$1.0
Congregate Residential Providers: Reduce rates by 1.6 percent			$2.2	$2.2
Freestanding Psychiatric Facilities: Rebase rates not to exceed 100 percent of allowable costs			$1.1	$0.4

*Exempts hospitals with Medicaid usage greater than 50 percent.

Teaching Hospital Reimbursement. Language is added to allow academic health centers to use their uncompensated care costs of treating Medicaid and indigent patients to match and receive the full amount of federal reimbursement available through the Medicaid program.

– ***Pharmacy Dispensing Fee.*** In addition to the provider rate changes listed above, language is added to reduce the pharmacy dispensing fee by 25 cents effective July 1, 2009. The savings from this change was included as part of the budget reduction strategies adopted by the Governor in August pursuant to the agency reductions required by the 2008 Appropriation Act. That action will produce general fund savings of $462,666 in FY 2010.

– ***Cap Services/Enrollment in Medicaid.*** Reduces Medicaid spending by $24.8 million GF and a like amount of federal matching funds by capping services and enrollment in Medicaid home- and community-based waiver services.

  ▪ ***Service Caps.*** Services provided to individuals in all Medicaid waiver programs will be capped at a maximum not to exceed the average cost of care in an institutional setting saving $9.2 million GF. In addition, two services, environmental modifications and assistive technology, will be removed from two waiver programs to achieve savings of $3.9 million GF. However, these services will be available for those individuals transitioning from an institutional to a community setting.

  ▪ ***Elderly and Disabled Waiver Caps.*** Enrollment will be capped in the Elderly and Disabled waiver at 15,250 slots, the estimated number of individuals who would be served as of July 1, 2009. It is estimated that 1,680 individuals who would be eligible in FY 2010 will not receive a waiver slot.

  ▪ ***Mental Retardation Waiver Caps.*** The introduced budget suspends $5.8 million GF and $5.8 million NGF for 200 new mental retardation waiver slots that were scheduled to be added on April 1, 2009. The 2008 General Assembly added 600 slots to address the urgent care waiting list. Of these slots, 400 were added beginning July 1, 2009, with the remainder to be phased-in later in the fiscal year.

– ***Eliminate Programs.*** Reduces $19.4 million GF and $8.4 million NGF by eliminating funding for several programs administered by the department as described below.

  ▪ ***Indigent Health Care Trust Fund.*** The introduced budget eliminates $4.3 million GF and $3.2 million NGF each year for the Indigent Health Care Trust Fund. The fund reimburses eligible hospitals for a portion of their charity care, defined as hospital care for which no payment is received that is provided to a person whose annual family income is less than 100 percent of the federal poverty level. The state and acute care hospitals contribute to the Fund. Separate legislation will be proposed to eliminate statutory requirements for the program.

- ***State and Local Hospitalization Fund.*** Funding of $10.9 million GF and $2.0 million NGF is eliminated in FY 2010 for the State and Local Hospitalization (SLH) program. The SLH program was created in 1946 as a cooperative effort between the state and localities to provide hospital related services to indigent and medically indigent persons who do not qualify for Medicaid. The state contributes 80 percent of the funding for the program and localities contribute 20 percent.

- ***Optional Mental Health Screenings.*** Saves $83,000 GF and $249,000 NGF over the biennium by eliminating an optional second screening of Medicaid waiver recipients for mental illness or mental retardation.

- ***Home Health Care Extraordinary Transportation.*** Language is added to eliminate coverage of transportation costs for home health transportation providers that exceed 15 miles to see a client. These are the only providers to receive extra funding for what is considered "extraordinary" transportation costs.

– ***Other Savings Strategies.*** A number of additional savings strategies are proposed to reduce spending by $5.2 million GF and $7.4 million NGF over the biennium. These strategies include:

- Implementing provider claims checks in the claims processing software to prevent department programs from paying for improperly coded services, saving $1.1 million GF and $1.1 million NGF over the biennium.

- Increasing prior authorization of community mental health services for a savings of $920,935 GF and $920,935 NGF in FY 2010.

- Modifying the Health Insurance Premium Program to exclude certain Medicaid enrollees for which it has been determined as not being cost-effective. This saves $600,000 GF and $600,000 NGF in FY 2010.

- Redesigning the FAMIS program to scale back outreach efforts and focus on the most effective methods to promote the program, saving $516,164 GF and $516,164 NGF over the biennium.

- Enhancing pharmacy management initiatives for a savings of $310,511 GF and $375,511 NGF over the biennium.

- Reducing administrative costs and positions for a savings of $3.8 million GF and $3.9 million NGF. The largest of these savings is the elimination of administrative funding for new initiatives such as the integration of acute and long-term care services, and the chronic care management program. These actions will result in the reduction of 6 positions and two layoffs.

- *Close Southeastern Virginia Training Center.* Proposes eliminating $12.5 million GF and $3.9 million NGF by closing Southeastern Virginia Training Center (SEVTC) beginning July 1, 2009. A portion of the general fund savings, $4.1 million, will be used to transition 120 residents into community placements and transfer 55 residents to other state mental retardation training centers. The proposal assumes 20 individuals will be placed in Medicaid Mental Retardation waiver slots at a cost of $900,000 GF and $900,000 NGF and 100 individuals will be eligible for the Medicaid Money Follows the Person Program at a cost of $2.3 million GF and $6.8 million NGF. This action will result in net general fund savings of $8.4 million.

- **Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)**

  - *Close Southeastern Virginia Training Center (SEVTC) in Chesapeake.* Projects net savings within the Medicaid budget of $8.4 million GF from the closure of a 200-bed state mental retardation training center located in Chesapeake. In addition, a special revenue appropriation of $23.1 million is eliminated reflecting the closure of SEVTC. Currently, the facility serves 175 residents and employs 471 individuals. This proposal assumes that the closure of the Center will take place by June 30, 2009. Individuals who cannot be served in the community through the Money Follows the Person Program or the Mental Retardation Waiver Program will be transferred to another state facility. Capital funding of $23.8 million that was set aside by the 2008 General Assembly for the renovation of SEVTC will instead be used to develop community-based group homes for individuals being discharged from the training center. Workforce Transition Act (WTA) costs for employees of the facility, estimated at $16.5 million, will be compensated through the proceeds of the sale of land currently occupied by SEVTC.

  - *Close Commonwealth Center for Children and Adolescents (CCCA) in Staunton*. Projects net savings of $6.2 million GF from the closure of a 48-bed facility that provides mental health treatment for children and adolescents. The closure would take place no later than June 30, 2009. From the Center's $8.3 million general fund appropriation in FY 2010, $2.1 million will be set aside for private, inpatient mental health services for children needing acute care. Children and adolescents not eligible for this funding are assumed to receive acute mental health services in the community through private insurance or Medicaid. Thirty full-time employees at the facility are expected to fill vacancies at Western State Hospital (WSH), adjacent to CCCA. WTA costs of $3.3 million for the remaining 100 employees are expected to come from the sale of land currently occupied by WSH and CCCA.

  - *Close the Adolescent Unit at Southwest Virginia Mental Health Institute.* Estimates a net savings of $1.4 million GF from the closure by June 30, 2009 of a 16-bed unit for children and adolescents with acute mental illness. It is assumed that children and adolescents can be served in the community with state resources, private insurance or Medicaid. WTA costs for 28 employees estimated at $736,507 will be paid from the proceeds of land currently occupied by Western State Hospital and the Commonwealth Center for Children and Adolescents that is expected to be sold.

– ***Administrative Reductions and Efficiencies.*** Reduces $18.8 million GF the first year and $19.7 million GF the second year from administrative reductions and program efficiencies including layoffs, reductions in outside contracts, elimination of vacant positions, and consolidation of support services at state facilities. The largest savings strategy is a reduction of $12.4 million per year for administrative support at Community Services Boards. This reduction in funding is slightly less than the overall administrative reduction experienced by the Central Office at the Department of Mental Health Mental Retardation, and Substance Abuse Services.

– ***Replace General Fund Spending with Other Resources.*** Supplants $5.0 million GF appropriated to the Commonwealth's Mental Health Treatment Centers with special revenue funds that have accumulated from third-party payers such as Medicaid, Medicare and other insurers. This is a one-time savings strategy in FY 2009 only.

– ***Service Reductions and Program Eliminations.*** Reduces $573,200 GF the first year and $841,997 GF the second year for the following services:

  ▪ Funding designed to divert individuals with mental illness from jails;

  ▪ Funding for individuals with mental illness at state hospitals who require private hospitalizations; and

  ▪ Funding for eight internships to attract and retain child psychologists or child psychiatrists in the Commonwealth.

– ***Agency Balances Reverted to General Fund***. Diverts $15.1 million to the general fund from special revenue fund balances that have accrued from third-party payers such as Medicaid, Medicare and other insurers. This is a one-time savings strategy in FY 2009 only.

– ***Autism Services***. Appropriates $1.2 million GF the second year to reflect the transfer of $940,000 GF from Virginia Commonwealth University for the Autism Program of Virginia and the addition of $215,000 and two new positions to coordinate the delivery of services for individuals with Autism Spectrum Disorders and development disabilities.

– ***NGF for Resident Care.*** Adds $1.2 million each year from insurance, recyclable and surplus property revenues for patient care.

– ***NGF for Community Services Boards.*** Adds $324,795 each year from rental income for repair and maintenance at four group homes in southwestern Virginia.

- **Department of Rehabilitative Services**

  – ***Service Reductions and Program Eliminations.*** Reduces $1.7 million GF the first year and $1.8 million GF the second year for three programs that provide variable levels of employment and rehabilitation training services depending upon the physical disabilities of the individual being served. Proposed funding reductions include:

    - Long-term employment support services ($1.5 million);
    - Extended employment services ($1.0 million); and
    - Vocational rehabilitation (VR) services ($0.9 million).

    More than one-half of the reduction in VR services will be offset by funds that were previously provided to Disability Services Boards.

  – ***Replace General Fund Spending with Other Resources.*** Replaces $479,368 GF the first year and $507,204 GF the second year with federal funds and other agency resources.

  – ***Administrative Reductions and Efficiencies.*** Reduces $461,487 GF the first year and $494,991 GF the second year through a combination of administrative reductions and program efficiencies including eliminating administrative staff and reducing discretionary spending within the Department.

  – ***Eliminate and Redirect Funding for Disability Services Boards.*** Eliminates $519,362 GF each year for Disability Services Boards (DSB) and redirects funding to the Vocational Rehabilitation Program to reduce a waiting list for services. Language is also added lifting the requirement that localities establish and fund DSBs.

  – ***Increase NGF for Social Security Disability Determination Program.*** Adds $4.1 million each year from federal funds to increase staffing in the Social Security Disability Determination Program. Recently, the federal government lifted a hiring freeze and provided additional funding for disability determinations.

  – ***Increase NGF for Administrative Services.*** Provides $3.5 million each year from federal resources to reflect additional workload demands.

- **Woodrow Wilson Rehabilitation Center**

  – ***Administrative Reductions and Efficiencies***. Reduces $694,285 GF the first year and $672,567 GF the second year through a combination of administrative strategies including renegotiating existing contracts, reducing contracted services and reducing staffing levels.

  – ***Agency Balances Reverted to General Fund***. The agency proposes to divert $1.5

million in accumulated special revenue fund balances to the general fund in FY 2009 only.

- **Department of Social Services**

  – ***Replace General Fund Spending With Other Resources.*** Reduces general fund support for six programs and services and replaces funding with federal TANF dollars. A comprehensive multi-year review of federal TANF block grant funds by the Department's staff resulted in a windfall of one-time funds that can be used to leverage general funds. This proposed strategy uses federal TANF block grant funding instead of general funds to achieve biennial savings of $37.8 million GF. Federal TANF dollars are appropriated for the following programs:

    - $16.4 million for at-risk child care services;
    - $10.5 million for adoption services;
    - $4.6 million for Community Action Agencies;
    - $3.5 million for Healthy Families Virginia;
    - $1.5 million for domestic violence services;
    - $964,878 for activities that support child care; and
    - $323,202 for Centers for Employment and Training.

  – ***Administrative Reductions and Efficiencies.*** Removes $2.9 million GF the first year and $4.1 million GF the second year through a combination of budget reduction strategies including:

    - Eighty layoffs in the Department of Social Services' Central Office;
    - Eliminating funding for a child care automation project;
    - Maximizing federal resources for the 2-1-1 information and referral service;
    - Adjusting the appropriation for the Auxiliary Grant Program to reflect projected spending.

  – ***Replace General Fund Spending with Food Stamp Bonus Funds***. Reduces general fund support for local operations by $1.4 million the first year only and replaces funding with Food Stamp dollars awarded in a prior fiscal year.

  – ***Reduce Planned Increase for Foster Care Rates and Adoption Subsidy Payments***. Eliminates $1.2 million GF the second year by reducing a planned increase of 8 percent for family foster care services and adoption subsidy payments to 6 percent. Rates paid to foster care providers and for adoption subsidy payments increased by 15 percent in the current fiscal year.

– *Service Reductions and Program Eliminations.* Eliminates funding for seven programs, resulting in savings of $731,000 GF the second year. Proposed general fund budget reductions in FY 2010 include:

  - $350,000 for child care information and referral services;
  - $100,000 for Northern Virginia Family Services;
  - $100,000 for Tri-County Community Action Partnership;
  - $100,000 for Children's Advocacy Centers located in the City of Bristol/Washington County and Lenowisco;
  - $42,500 for People Incorporated; and
  - $38,500 for United Community Ministries.

– *Agency Balances Reverted to General Fund*. Directs $15.2 million the first year and $4.4 million the second year to the general fund from Child Support retained earnings funds that have accrued over several years. Funds in the child support account increased significantly through a prior year adjustment and tax intercepts related to federal Economic Stimulus Payments made earlier this year.

– *Adoption Subsidies Caseload and Cost Increases.* Provides $1.2 million GF and $907,527 NGF from federal Title IV-E funds each year for the adoption subsidy programs. Foster care expenditures are moderating but adoption subsidy caseloads continue to grow but at a much slower pace than in recent years. Funding will allow for a 1.3 percent increase in expenditures from FY 2008 to FY 2009.

– *Funding for the Federation of Virginia Food Banks.* Adds $1.0 million GF the first year to purchase food for distribution through food banks throughout the Commonwealth. Budget language prohibits funding for administrative or overhead expenses.

– *Central Office Relocation Costs.* Includes $755,908 GF and $403,312 NGF for costs related to relocating the Central Office. Funding will be used for one-time move costs related to furniture and information technology. The current lease for the Central Office space expires December 31, 2009.

– *Auxiliary Grant Pilot Project.* Adds budget language that allows for the creation of a pilot program for portable Auxiliary Grants. The proposal would allow current funding to be used for housing for consumers who:

  - have lived in an assisted living facility for more than 6 months;
  - receive an Auxiliary Grant;
  - receive Medicaid-funded case management and support services from a

community services board (CSB) or behavioral health authority (BHA);

- meet residential assisted living level of care criteria;
- are determined to be good candidates for living in the community; and
- have a care plan in place to ensure that needs can be met in the community.

– ***Streamlined Eligibility Plan.*** Adds budget language requiring the Department of Social Services to develop an implementation plan to centralize and streamline eligibility for social services benefit programs, including the development of a centralized, web-based system.

– ***NGF for Local Social Services Staffing Costs.*** This amendment corrects federal funding for local Departments of Social Services that was expected to decline by $35.0 million each year. Based on new information, the reduction is expected to be $20.0 million annually. This amendment restores $15.0 million NGF each year to appropriately reflect projected funding.

– ***NGF for Low Income Home Energy Assistance Program (LIHEAP).*** Includes $15.0 million in federal funding for the LIHEAP program to address the rising costs of energy for low-income Virginians. The Commonwealth does not provide state funding for LIHEAP.

– ***NGF for Child Support Enforcement.*** Adds $3.1 million the first year and $6.7 million the second year from child support enforcement resources for additional costs related to the privatization of district services, mainframe (information technology) costs and customer service centers.

– ***NGF for Agency Operations.*** Provides $1.0 million the first year and $4.3 million the second year from federal grants that require no state matching dollars including employment and training services for food stamp recipients, temporary refugee assistance, and emergency shelter services.

TANF Block Grant Funding

Governor's TANF Block Grant Funding
2008-10 Budget Proposal

TANF Resources	FY 2009	FY 2010
Annual TANF Block Grant Award	$158,285,000	$158,285,000
Carry Forward From Prior Fiscal Year	53,615,681	29,144,526
TANF Resources Available	**$211,900,681**	**$187,429,526**
TANF Expenditures		
VIP/VIEW Core Benefits and Services		
TANF Income Benefits	47,580,620	53,283,632
TANF Child Support Supplement	5,550,000	4,800,000
VIEW Employment Services	9,325,332	9,325,332
VIEW Child Care Services	1,170,644	2,170,644
Subtotal, VIP/VIEW Benefits and Services	***$63,626,596***	***$69,579,608***
Administration		
State Administration	2,700,607	2,700,607
Information Systems	3,997,580	3,997,580
Local Direct Service Staff and Operations	33,549,000	33,549,000
Local Eligibility and Administration	12,168,977	12,168,977
Subtotal, Administration	***$52,416,164***	***$52,416,164***
TANF Programming		
Department of Housing & Community Development	4,910,128	4,910,128
Local Domestic Violence Grants	1,062,500	1,387,500
Centers for Employment & Training	637,500	637,500
Domestic Awareness Campaign	127,500	127,500
Child Advocacy Centers	300,000	100,000
People, Inc.	42,500	0
Community Action Agencies	3,397,859	6,312,645
Healthy Families/Healthy Start	4,139,820	5,472,779
Comprehensive Services Act Trust Fund (CSA)	965,579	965,579
United Community Ministries	38,250	0
Comprehensive Health Investment Project (VDH)	2,141,890	1,070,945
Teen Pregnancy Prevention Programs (VDH)	910,000	455,000
Partners in Prevention Programs (VDH)	765,000	382,500
Subtotal, TANF Programming	***$19,438,526***	***$21,822,076***
TANF Expenditures, Total	**$134,904,536**	**$127,340,250**
Transfers to other Block Grants		
CCDF Transfer – Address Child Care Shortfall	6,249,369	5,965,825
CCDF Transfer – Expand At-Risk Child Care	6,000,000	6,000,000
CCDF Transfer – At-Risk Child Care Supplement	8,200,000	8,200,000
CCDF Transfer to Head Start (Wraparound) Services	2,500,000	2,500,000
SSBG – Transfer for Adoption Services	10,500,000	
SSBG Transfer–Comp. Services Act	4,405,502	4,405,502
SSBG Transfer-Local Staff Support	9,419,998	9,419,998
TANF Transfers, TOTAL	**$47,274,869**	**$36,491,325**
Total, TANF Expenditures & Transfers	**$182,756,155**	**$180,309,173**

- **Department for the Blind and Vision Impaired**
  - *NGF for Rehabilitative Industries Program.* Adds $2.7 million NGF each year for the rehabilitative industries program to reflect an increase in spending resulting from an increase in sales.
  - *NGF for State Education Services.* Adds $250,000 NGF each year from federal funds for state education services to account for an increase in spending.
  - *NGF for Rehabilitation Assistance Services Program.* Adds $150,000 NGF each year from special funds to provide for increases costs for rehabilitation assistance services. The special funds are derived from program fees.
  - *Administrative Reductions and Efficiencies.* Reduces funding by $237,176 GF the first year and $238,025 GF the second year by supplanting genera fund support of some personnel costs with federal funds, reducing the purchase of supplies and materials, leaving the chief deputy director position vacant, and delaying filling a vacant position.