
Overview of Senate Finance Committee Budget Recommendations

SB 29 and SB 30

February 21, 2010

Senate Finance Committee

Budget Shortfall of \$4.5 billion

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- The budget shortfall results from:
 - Projected biennial revenues fall short of the two-year base budget by about **\$1.6 billion**.
 - In other words, revenues don't support current operations.
 - In addition, about **\$2.9 billion** in additional spending is included in the budget, largely due to restoring the ARRA dollars provided for the enhanced Medicaid match.

SB 30, as introduced: How Shortfall was Closed

	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
Budget Shortfall	\$ (2,206)	\$ (2,279)	\$ (4,485)
Actions to Close Budget Shortfall			
Resources	\$ 190	\$ 170	\$ 360
Budget Reductions Sept 09	\$ 280	\$ 436	\$ 716
Additional Reductions	\$ 798	\$ 734	\$ 1,532
Remove Car Tax	<u>\$ 950</u>	<u>\$ 950</u>	<u>\$ 1,900</u>
Total	\$ 2,218	\$ 2,290	\$ 4,507

Senate Finance Committee Recommendations

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- Objectives:
 - Restore funding for car tax relief while limiting further reductions in funding for core services.
 - Address funding for a limited number of issues:
 - Fund Composite Index adjustment in first year, with hold-harmless provision in both years for those localities seeing an increase in their LCI.
 - Partial restoration of funding for constitutional officers, law enforcement, local police.
 - Employee 3 percent bonus in second year.
 - Support recommendations that retain jobs and spur job creation.

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Proposed spending items

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(\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
Restore Car Tax	950.0	950.0	1,900.0
K-12: Composite Index	145.9	116.0	261.9
Partially Restore Comp Board	114.0	115.2	229.2
Partially Restore HB599	10.3	10.3	20.6
GF for Byrne Grant (Comp Bd)	23.3	23.3	46.6
Employee Bonus, Second Year 3%	-	82.2	82.2
Higher Education Auxiliary Balances	18.8	-	18.8
Health and Human Resources	<u>13.0</u>	<u>15.0</u>	<u>28.0</u>
Total	1,275.3	1,312.0	2,587.3

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Proposed Strategies

- Strategies to fund objectives:
 - Additional budget reductions of \$834 million in FY 2011 and \$1,064 million in FY 2012.
 - Includes one-time GF savings in VRS program of about \$415 million.
 - Additional resources from interim revenue reforecast, fee bills, balances, the NGF portion of the VRS, and unappropriated balances provide about \$714 million over three years.

Proposed net budget actions, by area

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(\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
K-12 Public Education	(37.4)	(95.6)	(133.0)
Health and Human Resources	(116.8)	(227.2)	(344.0)
Higher Education	-	(9.5)	(9.5)
Admin/Comp Board	91.1	90.0	181.1
Finance/Car Tax	947.1	889.6	1,836.7
Economic Development	(13.0)	(13.4)	(26.4)
Agriculture and Forestry	(2.4)	(2.2)	(4.6)
Natural Resources	(6.8)	(6.8)	(13.6)
Public Safety	(9.0)	(16.2)	(25.2)
Judicial	(12.3)	(15.3)	(27.6)
General Govt/VRS	(369.9)	(326.8)	(696.7)
Other	2.5	1.8	4.3
Capital Outlay	(36.8)	0.0	(36.8)
Total	436.3	268.4	704.7

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Proposed spending reductions, by area

(\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
K-12 Public Education	(189.7)	(228.7)	(418.4)
Health and Human Resources	(129.9)	(242.9)	(372.8)
Higher Education	-	(9.5)	(9.5)
Admin/Comp Board	(49.9)	(48.3)	(98.2)
Finance	(2.9)	(60.4)	(63.3)
Economic Development	(13.0)	(13.4)	(26.4)
Agriculture and Forestry	(2.4)	(2.2)	(4.6)
Natural Resources	(7.0)	(7.0)	(14.0)
Public Safety	(20.7)	(27.8)	(48.5)
Judicial	(12.3)	(15.3)	(27.6)
General Govt/VRS	(369.9)	(409.0)	(778.9)
Capital Outlay	(36.8)	0.0	(36.8)
Total	(834.5)	(1,064.5)	(1,899.0)

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Proposed VRS Savings Actions

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- For FY2010-12, the Commonwealth would pay less than the expected VRS employer contribution rate.
 - For state employees: pay 8.04% rather than 11.58%
 - For teachers: pay 10.32% rather than 15.49%
- Modify retirement benefit program for prospective state employees and teachers to help address long term costs (SFC Sub for HB 1189).
 - Bond rating agencies may look for such action in conjunction with funding less than “typical” rate.
- Saves \$165 million GF from state employees and \$250 million GF from teachers. Also NGF component of \$93 million. **Total savings= \$508 million.**

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Recommended Resource Adjustments

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- Revenue Forecast: Governor's interim forecast adds \$82.5 million in FY 2010, and \$118.0 million to the FY 2010-12 forecast.
- Recommended adjustment to refunds of \$50 million per year to reflect slower refund activity, primarily in claims for the land preservation tax credit.
- SB 329 fee bill to help support restoration of comp board and HB 599 funding = \$101.6 million.
- Nongeneral fund component of VRS and other benefit actions = \$93 million.
- Continues fee increases and policy changes proposed in SB 29 and SB 30, as introduced (exception: IRS conformity on two provisions).

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Medicaid Contingent Appropriation

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- Additional fiscal stimulus funding of \$350 million may be available in FY 2011.
 - Continues for an **additional** 6 months in FY 2011 the enhanced federal Medicaid match that the state received in FY 2010 and for 6 months in FY 2011.
 - “Frees up” general funds that can be used to reverse proposed spending reductions in Medicaid.
- Also, additional NGF revenues of \$85.7 million in FY 2011 due to late-breaking relief on federal claw-back provision (assumed in SFC amendments).