



House Appropriations Committee

**Funding Recommendations Proposed
by Chairman Putney for the
2008-2010 Budget (House Bill 29, as introduced)
and
for the 2010-12 Budget
(House Bill 30, as introduced)**



Chairman's Guidance/Goals

- Restore \$950.0 million annual Car Tax Relief Program
- Eliminate the fee increase proposals offered by Kaine
- Ameliorate the impact of dealer discount proposal
- Mitigate funding cuts in public safety and local constitutional officers
- Invest in job-creating economic development
- Minimize the impact on the health safety net
- Provide flexibility to school divisions to implement reductions
- Establish a substantial reserve for Revenue Stabilization Fund replenishment to ensure structurally balanced budget going forward




What Was the Process?

- Because of the unprecedented scale of the \$4.2 billion shortfall to be addressed and to restore the car tax relief, the Chairman determined the budget process had to be viewed as a unified mission, not in subcommittee silos
- Chairman began meeting individually with the subcommittee chairmen, and then collectively with the Committee leadership to craft a solution
- Also had discussions with the Governor's finance team and Senate budget conferees to work together to identify solutions
- Decided to use a single item to execute the recovery of spending reductions throughout the budget to restore car tax relief, public safety cuts, provide funding for economic development and to unfreeze the MR waivers, among other priorities
 - In 2008 the single item approach was used by Governor Kaine in HB 29 introduced during the Regular Session to present a unified budget reduction plan (Item 455.30)
 - In 2005 the single item approach was used by Governor Warner in the Reconvened Session to execute a series of spending proposals (Item 506)



Overview of Budget Reductions Strategies to Meet the Goals

- Implement prospective changes to VRS in order to reduce future costs and phase-in unfunded liability
- Targeted K-12 reductions achieved by eliminating state mandates and providing additional local flexibility which generates approximately \$310 million each year
 - Offset by over \$270 million in local VRS savings annually
 - Net impact on school divisions of approximately \$40 million per year
- Limit Health and Human Resources reductions to about \$200 million over biennium
- Targeted reductions to equalize cuts across other state agencies
 - Strategies identified by agencies in plans submitted to Governor Kaine in September 2009



Personal Property Tax Relief Program

- Governor Kaine proposed to eliminate \$950.0 million each year in reimbursement to localities for Car Tax relief
- He also proposed, through separate legislation, to implement a statewide 1% income tax surcharge phased-in over two years
 - That legislation was rejected, meaning localities will not eliminate the personal property tax
 - Not restoring the \$950 million year in state reimbursements is a tax increase



Personal Property Tax Relief Program

- The eliminated \$950.0 million FY 2011 and FY 2012 appropriations were for tax years 2010 and 2011 respectively
 - Under current law, localities do not receive any reimbursement for a tax year (which begins January 1) until July 1st
 - As such, the Kaine budget impacts a tax year that has already begun
 - 37 large localities bill and collect from taxpayers prior to July 1st and account for 45% of total reimbursements - \$419.6 million
- The Chairman's amendments fully restore the \$950 million annual appropriation for personal property tax relief

Fees and Tax Policy Changes Included in Governor Kaine's Introduced Budgets

<u>Fees</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>
.5% Property/Casualty Insurance		\$22.0	\$44.0
\$0.18 E-911 Line Fee		\$18.6	\$20.3
\$10 Increase Recordation Fee (\$10 to \$20)		\$10.0	\$10.0
DOLI Boiler Inspection Fee (\$20 to \$30)		\$0.4	\$0.4
DOLI \$55 Apprenticeship Program Fee		\$0.3	\$0.3
VDACS - \$17.50 Weights and Measures Fee		\$2.1	\$2.1
DMME - \$50 Gas/Oil Well Permit Renewal Fee		\$0.3	\$0.3
DMME - Coal/Mineral Mine Safety Fee Increase		\$0.1	\$0.1
Restaurant Permit Fee (\$100 to \$185) Plan Review (\$75 to \$95)		\$3.0	\$3.0
Well & Sewage System (varies, \$25-\$400)		\$0.8	\$0.8
Shellfish Sanitation Program per 2008 study		\$0.2	\$0.2
New Fee for Marina Sewage Facilities		\$0.1	\$0.1
Vital Records (\$12 to \$20)		\$2.5	\$2.5
DSS Child Registry Search Fee (\$5 to \$7)	\$0.1	\$0.1	\$0.1
Hospitals, Nursing Homes License/Renewal Fees		\$0.4	\$0.6
TOTAL:	\$0.1	\$60.9	\$84.8
<u>Other Revenue Actions</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>
Accelerated Sales Tax	\$144.0		
Elimination of Dealer Discount		\$60.9	\$60.9
Deconform: Fed'l Domestic Production Subtr.		\$30.0	\$30.0
Partial Advance Fed'l Tax Conformity Date	(\$14.7)	(\$6.4)	\$2.1
Adjust Withholding - Military Spouses	(\$14.9)	(\$9.9)	(\$9.9)
TOTAL:	\$114.4	\$74.6	\$83.1
GRAND TOTAL:	\$114.5	\$135.5	\$167.9

Chairman's Amendments

Remove All \$145 M. of Fees from Budget

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Modify Dealer Discount Proposal

- HB 30 as introduced assumed \$60.9 million in FY 2011 (and each year thereafter) from eliminating the compensation provided retailers for the collection and processing of sales tax revenues
- Chairman's amendments would eliminate the discount for retailers who already are required to remit payments electronically
- The removal of the discount on only those who file electronically would eliminate payments to less than 2% of the retailers in the Commonwealth, or about 1,750
- The remaining retailers' compensation scale would be reduced by 50% - to 2%, 1.5% and 1.0% depending on monthly sales
- This would generate \$46.1 million each year – a loss of \$14.8 million compared to the Kaine proposal – but would allow more than 98% of retailers to continue receiving compensation



Mid-Session Reforecast

- This past Wednesday, Governor McDonnell released a mid-Session reforecast which recognizes an additional \$200.5 million over the 3-year period, FY 2010 through FY 2012, to help address the budget gap
 - Estimates of core revenue sources (withholding, sales and nonwithholding taxes) remained unchanged, but changes reflected some growth in corporate income tax and recordation taxes based on year to date collections
- This addition allowed the Chairman to make some additional restorations as well as to establish a fiscally responsible reserve of \$165.0 million for the Rainy Day Fund payments that will be required in the next biennium
 - Calculation by the Auditor of Public Accounts projects a mandatory Revenue Stabilization Fund deposit of \$232.4 million in the FY 2012-2014 biennium based on current forecast



Compensation and Retirement



Compensation and Benefits

- Chairman's amendments eliminate the furlough day included in HB 29 as introduced, fiscal impact of \$18.2 million
- No furloughs are included in Chairman's amendments in either FY 2011 or 2012
- Reduces the premium increases for the state employee health insurance program included in HB 30
 - Cost savings for the state and for the employees
 - Introduced budget assumed increases of 5% in FY 2011 and 10% in FY 2012
 - Chairman's amendments assume 3% increase in FY 2011
 - Net savings of \$54.6 million GF
- The contingent reserve language related to the potential for 2 additional quarters of enhanced FMAP designates \$82.2 million for a 3% bonus in December 2011, if the federal proposal is adopted and general funds are thus freed up



Compensation and Benefits

- Restores funding for deferred compensation cash match program
 - HB 29: \$3.9 million
 - HB 30: \$37.7 million
- Eliminates proposal to require current state employees to contribute towards the cost of their retirement
 - HB 30: \$114.7 million
- Savings generated from HB 1189, including requiring new employees to pay 5% employee contribution and lowers the state share of the higher education Optional Retirement Plan for new hires
 - 5% - Savings of \$27 million
 - ORP – Savings of \$4.2 million

Proposed VRS Rates

Program	Introduced Budget	Normal Cost
State Employee Retirement	6.58%	2.16%
SPORS	21.16%	7.78%
VaLORS	13.09%	5.15%
JRS	42.58%	28.90%
Teachers Retirement	10.49%	4.01%
State Employee Health Ins. Credit	0.99%	0.28%
Teacher Health Ins. Credit	1.01%	0.23%
VSDP	0.66%	0.66%
State Employee Life Insurance	1.02%	0.69%

* Rates for retirement programs do not include 5% employee contribution.



VRS Savings

- Amendments assume substantial savings from funding the VRS rates at the “normal rate”
 - Assumes a premium holiday in FY 2011 for the group life program for state employees

Benefit Program	FY 2011	FY 2012
State Employee Retirement	\$163.0	\$170.1
State Employee OPEBs	\$65.1	\$39.1
Teacher Retirement	\$162.1	\$164.3
Teacher Retiree Health Credit	<u>\$19.5</u>	<u>\$19.8</u>
Total	\$409.7	\$393.3



Other Compensation Program Adjustments

- Restores \$9.5 million a year GF fund support for the Line of Duty
 - Introduced budget assumed funding from new 18-cent surcharge on E-911 fee
- Revises savings resulting from recording the FY 2011 4th quarter VRS payment in July 2012
 - Revision reflects changes in the contribution rates
 - Savings adjusted downward from \$33 million to \$14 million



Compensation Language Amendments

- Language amendment gives school boards and localities the flexible option of requiring current employees to pay a portion of the 5% employee retirement contribution
 - Would allow them to elect any whole percentage up to 5%
- Language amendment gives school boards and localities the flexible option of offering an early retirement program
 - Employer would purchase years of service credit at 15% of current salary per year of service



Public Education



K-12 Saving Strategy Amendments

- Total targeted K-12 reductions achieved by eliminating state mandates and providing additional local flexibility generate approx. \$310 million each year
 - Offset by over \$270 million in local VRS savings annually
 - Net impact on school divisions of approximately \$40 million per year
- Suspend secondary planning period standard: saves \$185.7 million in FY 2011 and \$188.1 million in FY 2012
- Transfer textbooks and remedial summer school to Lottery accounts: saves \$76.2 million in FY 2011 and \$76.9 million in FY 2012
- Establish a Lottery Proceeds Block Grant for At-Risk, Early Reading Intervention and PreK programs
 - Provides flexibility to localities to determine level of participation for each of the three eligible programs
 - Block grant would be allocated on an ADM per pupil amount
 - \$201.20 PPA in FY 2011 and \$186.55 in FY 2012
 - Fund block grant with available revenues from these three programs and from the elimination of the support for school construction and operating cost and enrollment loss programs
 - \$136.2 million in FY 2011 and \$127.0 million in FY 2012



Local Composite Index (LCI)

- Chairman's amendments provide \$29.5 million to unfreeze the LCI update in FY 2011 from reduced rates for the cost of competing adjustment (COCA)
 - Adjusts COCA for PDC 8 localities to 63%
- Provides an additional \$91.7 million in FY 2011 to provide an 80% hold harmless payment to those school divisions whose LCI is increasing based on the re-benchmarking
 - Contingent reserve language related to the potential for 2 additional quarters of enhanced FMAP designates \$23 million to fund the remaining 20% needed to hold all localities 100% harmless
- Transfer \$2.8 million each year from Charlottesville to Albemarle to offset a portion of the local revenue sharing agreement payment
 - Albemarle paid \$18 million to Charlottesville in 2008



Adjustments to SOQ Funding Model

- Extend the school bus replacement schedule to 15 years – which is the current prevailing practice: saves \$9.7 million each year
- Include ‘zero’ as an allowable reported expense from school divisions in the I-estimator (linear weighted average) for non-personal support and transportation cost calculations: saves \$40.6 million in FY 2011 and \$40.9 million in FY 2012
- Eliminate certain expenditures from the support services cost calculations:
 - Staff travel - saves \$15.6 million in FY 2011 and \$15.7 million in FY 2012
 - Lease and Rental – saves \$14.4 in FY 2011 and \$14.5 million in FY 2012



Technical Updates to SOQ Model

- Provides additional \$8.0 million over the biennium to correct an overstated savings in HB 30 associated with how certain facility positions were classified in the non-personal support cost category
- Captures savings from subtracting expenditures related to regional programs' costs that were inadvertently included in several funding categories
 - Caused the statewide reimbursement prevailing averages to be higher than they should have been
 - FY 2011: \$8.7 million and FY 2012: \$8.8 million
- Captures savings from using the combined ADM totals of both the fiscal agent and the contractual school divisions the four-coupled localities that report expenditures together
 - FY 2011: \$24.5 million and FY 2012: \$24.7 million



Literary, Lottery, VPSA

- Provides \$57.8 million in FY 2012 to school divisions for new VPSA Technology Grants
 - The contingent reserve language related to the potential for 2 additional quarters of enhanced FMAP designates \$14 million to provide VPSA Technology Grants in FY 2011
- Funds School Lunch program with projected additional revenues from state's participation in the Lottery Power Ball game and saves \$5.8 million GF each year
- Provides \$13 million in GF savings in the first year with additional Literary Fund revenues to pay a portion of VRS payments

Additional Flexibility

- Chairman's amendments provide flexibility to school divisions to increase class sizes by one student as outlined below. This does NOT result in any reduction in state funding.

Level/Position	SOQ Minimal Staffing Requirements	Change Allowed
<u>Kindergarten</u> (students to classroom teacher)	Avg. 24 to one	Avg. 25 to one
	No Class > 29	No change
	Aide if > 24	No change
<u>Grades 1,2,3</u> (students to classroom teacher)	Avg. 24 to one	Avg. 25 to one
	No Class > 30	No change
<u>Grades 4,5,6,7</u> (students to classroom teacher)	Avg. 25 to one	Avg. 26 to one
	No Class > 35	No change
<u>English Classes Grades 6 - 12</u> (students to classroom teacher)	Avg. 24 to one	Avg. 25 to one



Additional Flexibility in Chairman's Amendments

- **Waive ratio requirements:**

- Prevention, Intervention, & Remediation programs

- Limited English Proficiency

- Elementary Resource

- Gifted and Talented

- Career and Technical

- **Waive ratio requirements for filling vacancies:**

- Instructional & Support Technology

- Librarians

- Guidance Counselors



Health and Human Resources



Health and Human Resources

- Net reductions of \$211.3 million GF over the biennium
- Mitigated impact to the safety net by:
 - Lifting the freeze on Medicaid home- and community-based waiver slots, including MR waivers (impacts about 3,360 low-income elderly and disabled individuals)
 - Continuing to provide acute inpatient services for seriously emotionally disturbed children and adolescents at the Commonwealth Center for Children and Adolescents in Staunton
 - Capping eligibility -- rather than freezing enrollment in the FAMIS program – so low-income children can continue to access this critical health insurance program
 - Delaying further reductions in eligibility for an optional group of Medicaid recipients until FY 2012
- Mitigated impact to critical Medicaid providers:
 - Exempted teaching hospitals, critical access hospitals and hospitals serving high number of Medicaid patients from hospital inpatient rate reductions
 - Tiered nursing home reductions to minimize impacts on homes with high numbers of Medicaid patients
 - Partially restored funding to long-stay hospitals serving high number of Medicaid patients
 - Partially restored funding to pharmacy providers who provide medications to Medicaid recipients in largely rural areas
- Mitigated impact of additional fees on health care providers and on environmental health services



Medicaid & FAMIS Funding Changes

- Recognizes \$85.7 million GF savings in FY 2011 from receipt of enhanced federal Medicaid funds for Part D prescription drug expenses
- Provides \$17.1 million GF over the biennium to lift the freeze on home and community-based waiver slots
 - Affects five programs: MR/ID Waiver, Day Support Waiver, Developmentally Disabled Waiver, Elderly & Disabled Waiver, and Alzheimer's Waiver
- Provides \$2.8 million GF over the biennium to partially restore cuts to long-stay hospitals and pharmacies that serve a disproportionate number of Medicaid patients
- Provides \$3.6 million GF each year to correct an error in the amount provided to Medicaid from the Virginia Health Care Fund
- Net Medicaid & FAMIS savings of \$199.8 million GF over the biennium
 - \$124.9 million GF in provider payment reductions
 - Hospitals, nursing homes, physicians, dentists, other providers
 - \$74.0 million GF in savings from eligibility changes
 - \$0.9 million GF in savings from service changes

Medicaid Provider Payment Changes

Provider	General Fund	
	FY 2011	FY 2012
Hospital Inpatient Payments, exempts teaching, critical access & high Medicaid hospitals – 1.7% reduction	(\$5,745,895)	(\$7,166,515)
Hospital Capital Payments, exempts teaching & hospitals with high Medicaid use – 5.9%	(\$2,259,119)	(\$2,793,305)
Hospital Outpatient Payments, exempts hospitals with high Medicaid use – 1.8%	(\$6,684,068)	(\$7,813,935)
Indigent Care Payments to Teaching Hospitals	(\$7,100,000)	(\$7,100,000)
Nursing Home Payments, tiered reduction based on high Medicaid use - .5% to 3.5%	(\$11,940,294)	(\$13,819,962)
Nursing Home Capital Payments – 5%	(\$1,991,319)	(\$2,514,099)
Physician Services – 5% reduction	(\$8,863,670)	(\$11,158,270)
Other Practitioner Services – 5% reduction	(\$5,765,321)	(\$7,234,574)
Dental Services – 5% reduction	(\$2,455,673)	(\$2,918,550)
Therapeutic Day Treatment Services – 5%	(\$2,490,233)	(\$2,817,006)
Psychiatric Residential Treatment Facilities-5%	(\$1,761,456)	(\$1,985,800)



Medicaid & FAMIS Eligibility & Service Changes

- **FAMIS Eligibility Changes**
 - \$37.6 million GF savings by reducing FAMIS and FAMIS Moms eligibility from 200 percent to 175 percent of federal poverty level
 - Contingent reserve language in Part 4 restores funding if Virginia receives two additional quarters of FMAP in FY 2011
- **Medicaid Eligibility Changes**
 - Introduced budget contained savings of \$53.3 million GF over the biennium by reducing the Medicaid eligibility income limit for individuals applying for long-term care services from 300% to 275% of the federal Supplemental Security Income (SSI) payment level
 - Chairman's amendments would save an additional \$36.4 million by further reducing eligibility to 250% of the SSI payment level in FY 2012
 - Receipt of additional FMAP in 2011 would require eligibility to remain at current level of 300% through June 30, 2011
- **Service Changes**
 - \$0.9 million GF savings by lowering the Medicaid cap on reimbursement for environmental modifications and assistive technology from \$5,000 to \$3,000 per individual
 - \$0.5 million GF savings by reducing funding to the Uninsured Medical Catastrophe Fund



Behavioral Health Services

- Restores funding to continue operating the Commonwealth Center for Children and Adolescents (CCCA)
 - Restores a total of \$11.2 million in operating funds
 - Adds back \$9.1 million GF over the biennium
 - Restores \$2.1 million GF which was earmarked in the introduced budget for community treatment of uninsured children served by the CCCA



Department of Social Services

- Captures savings of \$5.0 million GF in HB 29 from the receipt of federal ARRA funds for SNAP (formerly Food Stamp) administrative costs
- Targeted reductions in HB 30 total \$36.1 million over the biennium
 - \$5.0 million GF each year by reducing the Auxiliary Grant rate from \$1,112 to \$1,012 per month
 - \$4.6 million GF each year by further reducing local DSS funding from 1% to 5%
 - \$2.4 million GF each year by reducing funding for General Relief payments to local social services departments
 - \$1.8 million GF each year by reducing funding for chore and companion services for low-income elderly
 - \$1.3 million in FY 2011 and \$1.7 million in FY 2012 by reducing general funds for Healthy Families
 - \$1.3 million each year by eliminating funding for the Early Childhood Foundation
 - \$1.0 million GF each year by reducing funding for other discretionary services purchased by local social services departments
 - \$0.4 million GF each year by reducing general funds for domestic violence grants



Department of Health

- Eliminated proposed fees for health care providers, environmental health services and Vital Records and restored funding
 - \$2.5 million GF each year for the Office of the Chief Medical Examiner
 - \$3.8 million GF each year for environmental health services
- Targeted reductions total \$16.1 million over the biennium
 - \$4.6 million GF each year by reducing local health department funding by 5%
 - \$2.6 million GF each year by reducing funding for the Safe Drinking Water Revolving Loan Fund not required to match federal grant
 - \$0.9 million GF in FY 2011 and \$0.8 million GF each year for the Comprehensive Health Investment Program of Virginia
- Language amendment directs Commissioner of Health to distribute local funding based on staffing and workload changes to maximize resources and efficiencies



Other HHR Actions

- Department of Medical Assistance Services
 - Saves \$1.6 million GF each year by reducing administrative expenses
- Comprehensive Services Act
 - \$1.5 million GF in savings from revised utilization of services
- Secretary of Health and Human Resources
 - \$0.5 million GF each year by reducing funding for Child Advocacy Centers
- Part 4 language
 - Restricts funding for Planned Parenthood



Public Safety



Public Safety and Constitutional Officer Restoration

- Kaine proposed reductions of \$95.9 million in FY 2011 and \$108.6 million in FY 2012 for the various Constitutional officers
 - Chairman's amendments restore \$69.4 million in FY 2011 and \$68.8 million in FY 2012 to the Constitutional officers

Constitutional Office	Proposed Reduction FY 2011		Proposed Reduction FY 2012	
	HB 30	HAC	HB 30	HAC
Sheriffs	-11.8%	-1.59%	-15.0%	-4.7%
Commonwealth's Attorneys	-16.5%	-5.0%	-16.5%	-5.0%
Commissioners of the Revenue	-54.1%	-14.6%	-54.1%	-14.6%
Treasurers	-57.8%	-18.5%	-57.8%	-18.5%
Finance Directors	-90.9%	-22.9%	-90.9%	-22.9%



Sheriffs and Regional Jails

- Includes \$12.6 million in FY 2011 and \$12.1 million in FY 2012 to restore 1:1,500 law enforcement ratio
- Eliminates \$5.3 million in annual across-the-board reductions for sheriffs and regional jails
- Restores \$23.3 million annually for retirement and group life insurance premiums for sheriffs and regional jails
- Adjusts staffing and operating costs for Pittsylvania and Patrick County jails due to local construction delays
 - Includes operating funding omitted in HB 30 for Patrick County jail
- Includes language permitting Rappahannock, Shenandoah, and Warren counties to proceed with a regional jail
 - Construction does not require reimbursement by Commonwealth
 - If provided, no reimbursement is permitted until July 1, 2015
 - Reimbursement conditioned upon agreement with DOC to house state-responsible inmates at no charge



Other Public Safety Spending

- Restores 2 trooper schools at \$3.7 million in FY 2011 and \$3.8 million in FY 2012
 - Addresses vacant trooper positions by:
 - Permitting the 116th Basic Trooper School, which had been delayed until January 2011 and restricted to only 50 cadets, to fully begin on or after July 1st
 - Providing funding for the 117th Basic Trooper School, which had been delayed until January 2012, to begin much earlier in FY 2011
- Includes funding for purchase of burial vaults for resale to veterans using state cemeteries



Public Safety Reductions

■ Department of Corrections

- Saves \$2.6 million in FY 2011 and \$5.5 million in FY 2012 by closing Haynesville and Rustburg Field Units
 - Could impact 89 positions with a potential for 44 layoffs
 - Facilities more than 41 years old and hold lowest level offenders
 - Provide no Correctional Enterprise or special programs
- Saves \$1.2 million each year from reducing equipment purchases
- Saves \$1.5 million each year by eliminating vacant probation and parole positions

■ Department of Criminal Justice Services

- Equalizes first and second year funding for HB 599
- Saves \$85,000 per year from eliminating immigration and Spanish language training provided by private vendor



Other Public Safety Reductions

- Saves \$302,354 by requiring Commonwealth's Attorneys to cover half of Commonwealth's Attorneys' Services Council's services
- Saves \$2.2 million each year by eliminating vacant positions in the Department of Correctional Education
- Saves \$2.5 million each year by reducing local juvenile crime control grants in the Department of Juvenile Justice
 - \$10.9 million in annual funding remains for these local efforts
- Saves \$1.5 million each year by eliminating the Jail Contract Bed Program used by DOC
 - JCB program permitted use of 500 beds for work release and reentry
 - Per diems paid for state-responsible offenders can be used to achieve the same goals
- Saves \$219,000 each year by eliminating payments in lieu of taxes for the Department of Forensic Science
 - Language in HB 30 exempts DOC from such payments



Economic Development and Agriculture and Forestry

Economic Development Promotion Package

	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
<u>Ag and Forestry</u>			
Wine Promotion Fund (HB 588)	\$745,000	\$745,000	\$1,490,000
<u>Commerce and Trade</u>			
Motion Picture Opportunity Fund	\$1,000,000	\$1,000,000	\$2,000,000
Governor's Opportunity Fund	\$12,100,000		\$12,100,000
MEI (MEGA) Site Planning Fund (HB 1381)		\$5,000,000	\$5,000,000
Expand VEDP Foreign Offices - China, India, and the U.K.	\$500,000	\$1,000,000	\$1,500,000
VEDP Marketing and Sales Promotion	\$2,250,000	\$2,250,000	\$4,500,000
Bioscience "Wet Lab" Facilities	\$1,500,000	\$1,500,000	\$3,000,000
Tourism Marketing	\$3,600,000	\$3,600,000	\$7,200,000
CIT Gap Fund	\$500,000	\$1,000,000	\$1,500,000
Recapitalize DBA Loan Guarantee Program	\$1,000,000		\$1,000,000
DBA Business One Stop Program	\$500,000	\$500,000	\$1,000,000
Virginia Jobs Investment Program	\$3,500,000	\$3,000,000	\$6,500,000
Total	\$27,195,000	\$19,595,000	\$46,790,000

Savings in Agriculture/Forestry and Commerce/Trade

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
Eliminate Boiler Fee Increase		(\$350,000)	(\$350,000)	(\$700,000)
Capture DPOR Balances	(\$205,072)			
VDACS - Remainder of PDR matching grants		(\$400,000)	(\$400,000)	(\$800,000)
Forestry - Eliminate Memberships		(\$14,455)	(\$14,455)	(\$28,910)
Forestry - Reduce Routine Maintenance Funding		(\$42,850)	(\$42,850)	(\$85,700)
Forestry - Unused MELP		(\$365,231)	(\$365,231)	(\$730,462)
Forestry - Reforestation Match		(\$745,140)	(\$895,140)	(\$1,640,280)
Adjust SRI Payment Schedule per Legislation	(\$2,000,000)	(\$1,000,000)		(\$1,000,000)
Defer second year BRAC Funding			(\$7,500,000)	(\$7,500,000)
DHCD - Eliminate Mortgage Counselors Program		(\$250,000)	(\$250,000)	(\$500,000)
Limit Space Flight Authority Increase to Request		(\$291,220)	(\$541,220)	(\$832,440)
DOLI Administrative Reduction (10%)		(\$242,950)	(\$242,950)	(\$485,900)
DMME - Efficiencies		(\$214,475)	(\$214,475)	(\$428,950)
DMME - Energy Training Fund Reduction		(\$87,250)	(\$87,250)	(\$174,500)
DHCD - Level Fund Homeless Grants			(\$1,227,532)	(\$1,227,532)
DHCD - Child Coordinators Reduction			(\$100,000)	(\$100,000)
Total Savings:	(\$2,205,072)	(\$4,003,571)	(\$12,231,103)	(\$16,234,674)



Transportation



Transportation

- Very limited dollar amendments beyond the technical forecast adjustments included in the Introduced Budget
- Propose capturing one-time current year balances as follows:
 - \$2.0 million from Aviation Special Funds
 - \$5.2 million from Real ID Implementation delay/DMV central issuance contract cancellation
 - \$1.0 million each year from the uninsured motorist fee revenues
- Supplant GF support for Route 58 debt service with like amount of TICRC funding
 - HB 30 as introduced had back-loaded GF appropriation and set it at \$12.0 in FY 2011 and \$68 million in FY 2012
 - By utilizing TICRC funds, can maintain the usual \$40 million year payment and not require diversion of other transportation funds
 - Contingent language would repay the TICRC for this expense



Transportation Language Amendments

- Includes language giving the Department of Rail and Public Transportation the flexibility to transfer up to 20% of the transit capital funds to operating support if operating support falls below prior year levels
- Includes two language amendments authorizing the use Rail Enhancement Funds to proceed with the passenger rail project from Richmond to Norfolk and to fund the operating costs of the existing Amtrak pilot project
- Includes language directing the Secretary of Transportation to initiate a plan to dissolve the Virginia Transportation Research Council and to report back to the General Assembly prior to the 2011 Session on how the remaining activities will be distributed or outsourced
- Includes language directing a joint review of unused VDOT property, with specific direction on the sale or lease of the vacant Culpeper residency



Higher Education



Base Budget Adjustments

- Reallocate ARRA funding in FY 2011 and general fund reductions in FY 2012 in order to provide for funding equity across the higher education system
 - Every institutions receives ARRA funding in FY 2011 equal to the cumulative general fund cut
- Utilize funding guidelines & NGF revenue ability in determining adjustments
- Language maximizes institutional flexibility on carry forward of unspent funds from FY 2011 into FY 2012 to manage funding situation
- This allows institutions to maintain funding guideline level through FY 2012

House Higher Education Package

Amendments to HB 30

Inst	FY 11 ARRA	FY 12 GF Cuts
GMU	377,455	(1,118,180)
ODU	1,655,550	4,183,749
UVA	0	(7,423,024)
VCU	8,057,971	81,053
VT	6,855,978	(4,529,798)
CWM	0	(1,502,767)
CNU	247,745	806,625
UVA-W	280,491	944,461
JMU	0	(2,011,380)
LU	278,939	777,260
UMW	176,848	0
NSU	1,469,054	0
RU	513,758	1,389,098
VMI	18,009	0
VSU	155,505	(134,560)
RBC	(137,836)	207,731
VCCCS	(14,643,892)	5,279,303
VIMS	(1,590,738)	1,824,840
VT Ext	(3,606,965)	1,225,590
VSU Ext	(107,872)	(0)



Targeted Reductions

- Change financial aid methodology
 - No longer conform to the federal model
 - Proportional distribution of gift aid
 - Limit cost basis to actual student costs
 - Saves \$20 million in FY 2012
- Replace GF with TICR at Southside/Southwest higher education centers: saves \$10.7 million per year
 - Contingent language would repay the TICRC for this expense
- Eliminate remaining eminent scholars program: saves \$3.4 million per year
- Consolidate & focus cooperative extension to agricultural goals: saves \$2.5 million in FY 2012



Targeted Reductions

- Eliminate targeted non-health public service centers: saves \$3.2 million in FY 12
 - GMU conflict center: \$459,125
 - ODU teacher center: \$500,000
 - UVA center for politics: \$625,865
 - UVA humanities center: \$1,140,583
 - Longwood teacher tech center: \$216,313
 - VCU economic education center: \$243,675
 - VCU education policy center: \$39,394
- TAG reductions of about 8.6%: saves \$5.0 million per year
- Eliminate proton beam research funding: \$510,000 per year
- Reduce central administrative costs at VCCS: saves \$500,000 in FY 2012
- Adjust EVMS indigent care to approximate impact at UVA / VCU in introduced budget: saves \$450,000 per year
- Reduce VMI unique military programs: \$310,000 per year



Other Actions

- Eliminate transfer of auxiliary enterprise cash balances proposed in the introduced budget
- Adjust HEETF distribution to reflect SCHEV recommendations
 - Provide for research equipment allocation in HEETF program in each year
- Transfer grant savings based on actual participation: saves \$1.5 million in FY 2010 (HB 29) and \$1.3 million per year (HB 30)
- The contingent reserve language related to the potential for 2 additional quarters of enhanced FMAP provides \$75 million in FY 2012 to reduce the additional higher education reductions by 50% if the federal proposal is adopted and general funds are thus freed up



Other Education & Technical Changes

- Phase out the Commission for the Arts: saves \$2.2 million in FY 2011 & \$4.5 million in FY 2012 when fully eliminated
- Additional 6% reduction to local libraries bringing total reduction to 15%: \$0.9 million per year
- Move Jeff Labs funding to 2nd year: \$3 million shift from FY 2011 to FY 2012
- Move \$100,000 of Dahlgren funding to FY 2011 from FY 2012
- Correct transfer of TAG funds to EVMS



Capital Outlay



Capital Outlay Savings

- Revert unused planning funds: \$2.6 million
- Revert proposed \$15 million GF for maintenance reserve
 - Funds were initially reverted in Ch 781 and replaced with ARRA
- Debt service savings based on debt capacity issuance limitations: \$8.3 million



Utilize Chapter 1 Excess Bond Authority

- Recall that DGS identified about \$80 to \$100 million in unused project bond authority
- Staff recommends the following projects:

Priority / Agency Name / Project Title

1. Christopher Newport University (242)

Construct Integrated Science Center (Phase II) (17690)

2. Longwood University (214)

Construct University Technology Center (17668)

3. Norfolk State University (213)

Renovate Wilder Center (17627)

4. College of William and Mary (204)

Renovate Tucker Hall (17652)

5. Old Dominion University (221)

Construct a Systems Research & Academic Building (17678)

6. George Mason University (247)

Renovate Fine Arts Building (17697)

7. Virginia Military Institute (211)

Renovate Science Building (17664)



Utilize Chapter 1 Excess Bond Authority

- The projects also generate \$4,599,500 reimbursement to central planning fund in accordance with Chapter 1
- These funds are shifted to the Belmont Bay planning to supplant the general fund



Modify Proposed Bond Program

- Introduced budget proposed \$1.1 billion in contingent bonds for higher education capital projects
 - Over \$400 million in projects that had not been reviewed by BCOM or had not yet begun planning
- These projects are removed from the prospective funding list until planning is completed and reviewed
 - However, Yorktown Museum is added to the list since it has completed planning
- Add \$500,000 for GMU Thompson West equipment
- Elimination of the proposed \$35.2 million in tax-supported debt for energy conservation
 - Specific projects are not identified
 - Measures are not in place to assess project impacts
 - Initiative was not identified under the Chapter 1 process



NGF Projects & Language

- Allows for planning with NGF at:
 - CNU: \$500,000 Student Success Center
 - ODU: \$2,000,000 School of Education
- NGF projects at:
 - CNU: Residence Hall Roofs (\$3 million)
 - CWM: Utility Phase III (\$10 million) – expanded scope
 - GMU: Campus Labs (\$10 million federal)
 - GMU: Arlington Phase II (\$3.8 million)
 - JMU: Dining (\$6 million)
 - JMU: Parking (\$2.5 million)
 - Longwood: Supplement Lankford (\$1.7 million)
 - UMW: Athletic Fields (\$2.5 million)
 - Radford: Property Acquisition (\$34.8 million)
 - VSU Extension: Building Addition (\$4.7 million federal)
- Language:
 - Strikes reference to two previous executive orders in the General Conditions
 - Allow for the O & M of the War Memorial within existing rent plan funding
 - GMU Fairfax PPEA
 - Jamestown: Allows use of maintenance reserve for artifact conservations
- Eliminates housing project at the VCCS



General Government



Constitutional Officers

- Chairman's amendments provide \$7.5 million GF each year in restorations for the Commonwealth's Attorneys offices
 - Funding is at 95% of FY 2010 (prior to September's budget reductions for FY 2010)
- Amendments provide \$20.6 million each year from the Virginia Communications Sales and Use Tax Fund in restorations for Commissioners of Revenue, Treasurers and Directors of Finance
 - These amounts restore funding to 75% of the FY 2010 funding level for office operations
- Amendments transfer responsibilities within the Compensation Board to the Department of Planning and Budget
 - Assumes a net savings of \$2.0 million GF over the biennium
 - Estimate assumes a reduction of 12 staff



Legislative Branch

- Actions within the Legislative Department result in savings of \$9.4 million over the biennium
 - Transfer responsibility for staffing of legislative commissions to Legislative Services: Net savings of \$2.0 million GF
 - Reduced Payments for Dues – Savings of \$116,314
 - Reduced funding for Sesquicentennial of the Civil War Commission – Savings of \$339,482
 - House of Delegates – Revert \$1.5 million in balances
 - Legislative Agencies – Revert \$4.2 million in balances
 - VASAP – Transfers \$1.0 million in NGF balances to the GF
 - DLAS – Transfers \$250,000 in NGF balances to the GF



Judicial Branch

- Amendments eliminate the establishment of new public defender offices in Prince William, Chesterfield and Henrico counties
- Savings Actions
 - Actions within the Judicial Department result in savings of \$21.0 million
 - Savings of \$11.5 million from deferring the filling of vacant judgeships through June 2012
 - \$953,607 in savings in FY 2010
 - \$10.5 million in savings during the 2010-2012 biennium
 - Savings of \$5.9 million from eliminating state funding for drugs courts
 - Savings of \$4.0 million from reverting judicial balances
 - Removes \$60,480 in funding included in introduced budget for court appointed counsel for individuals in juvenile facilities



Other General Government Issues

- \$20.0 million transfer of NGF balances within the State Corporation Commission
- \$5.3 million in savings from eliminating community service grants to public television and radio
 - Budget continues funding for educational assistance grants (\$4.4 million over biennium)
 - Introduced budget transferred funding for grants from the Secretary of Administration to the Secretary of Education and Workforce
- Maintains the Department of Employment Dispute Resolution as a separate agency
 - Governor's budget merged the DEDR into the Department of Human Resources Management



Other General Government Issues

- Savings of \$1.5 million from an additional 10% reduction in support for Registrars and Electoral Boards
- Savings of \$522,000 within the Department of General Services from eliminating the GF support for the Facility Inventory Condition and Assessment System
- Savings of \$5.1 million within the Tax Department's administrative budget
 - \$4.8 million in additional discretionary budget reductions
 - \$300,000 in savings pursuant to HB 1045 (electronic filing of returns)



Natural Resources



Natural Resources

- Captures \$6.2 million from the WQIF balances maintained by the Department of Conservation and Recreation
 - DCR has \$23.9 million in WQIF balances and \$19.5 million in balances from the Natural Resources Commitment Fund to be spent over three years
 - Since 2005, \$127 million has been provided to implement agricultural best management practices and other nonpoint source pollution controls
- Captures \$3.6 million in balances from the WQIF reserve fund held by DEQ
 - It was previously thought that these balances had been exhausted
- Eliminates \$5 million each year for the Natural Resources Commitment Fund
 - Again, the DCR has reported cash on hand in the Natural Resources Commitment Fund of \$19.5 million
- Eliminates \$1.0 million each year for the Virginia Land Conservation Fund