

Proposed Amendments to the 2012-14 Budget

The proposed amendments to the 2012-14 budget (HB/SB 29) include \$275.9 million in general fund resources above those assumed in Chapter 806 of the 2013 Acts of Assembly. These resources include: (1) a net balance addition of \$270.7 million; (2) a \$29.2 million upward revision to the general fund revenue forecast, and (3) offsetting transfer reductions totaling \$24.0 million. When combined with the \$11.6 million unappropriated balance contained in Chapter 806, the net adjustments provide \$287.5 million in additional resources.

HB/SB 29 also includes proposed net spending reductions of \$249.1 million. When spending reductions are added to available resources, a balance of \$536.5 million remains to be carried forward into the next biennium in HB/SB 30.

Additional General Fund Resources Available for Appropriation			
(\$ in millions)			
	<u>Chapter 806</u>	<u>Revised</u>	<u>Difference</u>
Unreserved Balance	\$976.0	\$1,350.3	\$374.3
FY 2014 Balance Adjustments	3.6	(100.0)	<u>(103.6)</u>
Net Balance Changes			\$270.7
FY 2014 Revenue Estimate*	\$16,941.8	\$16,971.0	\$29.2
FY 2014 Transfers*	546.8	522.8	<u>(24.0)</u>
Additional GF Resources			\$275.9
Unappropriated Balance (Ch. 806)			\$11.6
HB/SB 29 Net Spending Reduction			<u>249.1</u>
HB/SB 29 Carry Forward Balance			\$536.5
<i>*Revenue and Transfer amounts reflect HB 2313 action to move a portion of sales tax from revenue to transfers.</i>			

As a result of the better than expected FY 2013 performance, the revised FY 2014 revenue growth rate is 1.7 percent including the impact of the accelerated sales tax and policy changes from Chapter 766 of the 2013 Acts of Assembly (HB 2313). This produces a net revenue addition of \$29.2 million. On an economic basis, the underlying assumption is 2.9 percent growth. Year-to-date revenue growth through November is 0.7 percent (1.7 percent after adjustments).

Changes in Net Balance

FY 2013 ended with a GF balance of \$585.0 million above what was expected, primarily as a result of \$264.3 million in revenues and transfer collections above the estimate and \$184.4 million in unspent agency balances.

Following the close of FY 2013, the Comptroller reserved \$148.2 million from the unanticipated revenue to supplement the \$95.0 million that was appropriated in the 2013 session as an advance Rainy Day Fund reserve. In total, a payment of \$243.2 million will be made in FY 2015 based on FY 2013 revenues. An additional \$59.9 million is proposed as an advance reserve for the Rainy Day Fund payment that would be required in FY 2016, based on the current estimate of FY 2014 revenue growth.

The balance of unanticipated FY 2013 revenue will be used to satisfy the statutory requirement that 10 percent of year-end surpluses be appropriated to the Water Quality Improvement Fund and to provide the Transportation Trust Fund with its share of the accelerated sales tax.

The balance carried forward in HB/SB 29 is further reduced to reflect the reappropriation of \$131.7 million in FY 2013 GF capital, mandatory and discretionary agency balances.

Finally, after a number of technical amendments are made to reconcile the Comptroller's year-end balance with amounts already captured in the approved budget, and to remove NGF's that are reported as GF resources due to Governmental Accounting Standards Board requirements, the net balance change totals \$270.7 million.

Changes in Revenue

Although FY 2013 revenue collections exceeded the estimate, the growth rates for withholding, sales and corporate income taxes were lower than projected. As a result, the net FY 2014 revenue addition of \$40.4 million in HB/SB 29 reflects base adjustments resulting from higher than anticipated revenues in FY 2013, offset by assumed lower growth for the major sources in FY 2014.

Also reflected in the net forecast adjustments is the deferral of \$10.0 million in revenue assumed to be generated by the sale of Brunswick Correctional Center. HB/SB 30 includes \$10.0 million in FY 2016 from the expected sale.

As a result, the revised FY 2014 revenue growth rate is 1.7 percent including the effect of the accelerated sales tax and policy changes from Chapter 766 of the 2013 Acts of Assembly (HB 2313). This produces a net revenue addition of \$29.2 million. On an economic basis, the

underlying assumption is 2.9 percent growth. Year-to-date revenue growth through November is 0.7 percent (1.7 percent after adjustments).

FY 2014 Estimate of GF Taxes by Source			
(\$ in millions)			
	December Forecast	Estimated % Growth	Through November % Growth
Net Individual	\$11,762.4	3.7%	2.5%
Corporate	799.9	0.4%	(12.1%)
Sales	3,079.4	(4.4%)*	(2.6%)*
Insurance	289.4	10.4%	0.0
Recordation	377.5	0.0%	(4.7%)
All Other	<u>662.3</u>	<u>(3.8%)</u>	<u>(1.0%)</u>
Total Revenues	\$16,970.9	1.7%	0.7%**
*Sales tax without AST & HB 2313 is 2.6%			
**Total growth without AST & HB 2313 is 1.7%			

Changes in Transfers

Proposed transfer reductions of \$24.0 million in HB/SB 29 include 1) additional sales tax of \$4.4 million transferred to the Game Protection Fund based on a survey of sporting equipment and watercraft sales; 2) \$11.7 million reduction from the proceeds of the Alexandria regional ABC office due to a delay in the sale (HB/SB 30 includes \$12.5 million in FY 2015); and 3) a \$10.9 million reduction in estimated sales tax transfer for K-12 education based on an overall reduction in the sales tax forecast.

General Fund Resource Changes Since 2013 Session
(\$ in millions)

	<u>2012-14</u>
<u>Balance Amendments:</u>	
Unreserved Fund Balance, Comptroller's August Report	\$ 879.7
Amount Anticipated in Chapter 806	<u>(505.4)</u>
Additional Unreserved Balance	\$374.3
Balance Adjustments	
Add: Rainy Day Fund Reserve, FY 2014	244.6
Add: Rainy Day Fund Reserve, FY 2015	243.2
Less: Reappropriated FY 2013 Capital/Operating Balances	(131.7)
Reappropriated FY 2013 Higher Education Balances	(55.6)
FACT Fund Reappropriation	(22.5)
TTF Share of Accelerated Sales Tax	(21.7)
Natural Disaster Reserve (sum sufficient)	(34.5)
Virginia Health Care Fund (NGF)	(68.4)
Local Telecom Sales & Use Tax (NGF)	(33.9)
Central Capital Planning Fund	(12.3)
Other NGF's Included in Comptroller's Report	(211.0)
Federal Share of Refunds/Interest/Sales	(4.9)
ADM Shortfall – Shifted FY 2014 Appropriation	4.3
Miscellaneous	<u>0.8</u>
Total Balance Adjustments	(\$103.6)
<u>Revenue Amendments:</u>	
December Tax Reforecast	\$40.4
Delay Brunswick Sale; Modify Various Sale Prices	(10.2)
Miscellaneous	<u>(1.0)</u>
Total Revenue Adjustments	\$29.2
<u>Transfer Amendments:</u>	
ABC Profits	\$1.3
Local Real Estate/SOQ Fund (sales tax reforecast)	(10.9)
Increase Sales Tax to Game Protection Fund	(4.4)
Move Sale of Alexandria ABC Office to FY 2015	(11.7)
Miscellaneous	<u>1.7</u>
Total Transfer Adjustments	(\$24.0)

Judicial

- **Supreme Court of Virginia**
 - *Criminal Fund.* Provides an additional \$1.0 million GF for FY 2014 for the cost of appointing attorneys to represent an increased number of indigent defendants in criminal cases and other increased costs associated with the Criminal Fund. In the budget bill, this total amount is distributed to Circuit, General District, Juvenile and Domestic Relations District, and Combined District Courts.

Administration

- **Compensation Board**
 - *Additional Funding for Per Diem Payments to Local and Regional Jails.* Proposes \$4.5 million GF in FY 2014 for an increase in projected per diem payments to local and regional jails.

Agriculture and Forestry

- **Department of Agriculture and Consumer Services**
 - *Sale of Northern Neck Farmers Market.* Proposes language in Part 3 authorizing the sale of the Northern Neck Farmers Market in Oak Grove and requires that the proceeds of the sale shall be used first to pay any outstanding tax-exempt bonds on the property. Any remaining proceeds would be deposited in the general fund.
 - *Eliminate Charitable Gaming Positions.* Proposes a savings of \$150,000 GF in FY 2014 in Central Appropriations from elimination of 2.0 FTE positions in the Charitable Gaming inspection and enforcement unit. Funding for these positions was provided by the 2013 General Assembly but the Administration never authorized filling of the positions.
 - *Supplant GF for Grain Marketing Positions.* Proposes a savings of \$132,000 GF in FY 2014 in Central Appropriations from supplanting general funds with fees charged to producers. Growth in existing fee revenue from expanding exports supports the increased number of positions.

- **Department of Forestry**

- *State Forest Mitigation Acquisition Fund.* Adjusts language approved in Chapter 806 of the 2013 Acts of Assembly (HB 1500) to reflect that an anticipated \$9.8 million deposit to the Fund will occur in FY 2014 instead of FY 2013.
- *Accounts Receivable System.* Includes language to reduce the amount that may be used from the Reforestation of Timberlands Program from \$240,000 to \$92,500 for the agency's accounts receivable system. The majority of the expenses for the system will occur in FY 2015; a corresponding amendment in HB/SB 30 authorizes the balance to be funded in the next biennium.

Commerce and Trade

- **Economic Development Incentive Payments**

- *Adjust Funding for VIP Grants.* Proposes a reduction of \$127,500 GF in FY 2014 from the Virginia Investment Partnership (VIP) Grant Program. Shifts \$800,000 NGF from the Virginia Economic Development Incentive Grant subfund from FY 2013 to FY 2014 due to a revised estimate of grant payments due during the current fiscal year.
- *Life Sciences Consortium.* Adjusts language to clarify that any additional institution that joins the consortium will be required to provide at least a \$50,000 cash contribution for each year of participation and will then be considered a participating member for purposes of defining eligibility for grant funding.

- **Department of Housing and Community Development**

- *Increase Funding for Fort Monroe Authority.* Proposes an increase of \$701,620 GF in FY 2014 for the Fort Monroe Authority to address higher than anticipated utility and maintenance costs. This will bring the FY 2014 GF appropriation for the Authority to \$5.8 million.

- **Virginia Racing Commission**

- *Reduce Operating Expenditure.* Proposes a reduction of \$266,998 NGF to the agency's equine research incentives and a reduction of the anticipated transfer to the general fund by \$550,000 in FY 2014 based on reduced revenue estimates from pari-mutual wagering.

Public Education

- **Direct Aid to Public Education**

- *Reflect Updated Lottery, Sales Tax, and Literary Fund Projections.*

- Adjusts funding to reflect an increase of \$33.0 million in the revised forecast estimate of Lottery proceeds for FY 2014, as well as \$22.2 million in available transfers from proceeds earned in FY 2013. General funds are offset by a like amount.
- Decreases funding by a net of \$16.6 million GF that is based on the latest sales tax revenue projection which decreased the estimated forecast by \$37.8 million and an increase of \$21.2 million in Basic Aid funding to offset the state's share of about 55 percent of the costs (the budget also erroneously added \$1.4 million GF for this purpose.)
- Adds \$2.5 million GF to backfill available Literary Fund revenue used to pay a portion of teacher retirement.

- *Projected Enrollment and Participation.*

- Student Enrollment Counts. Adds \$7.6 million GF to fund an increase of 1,619 students from the latest fall membership counts and backfills \$4.3 million GF that was transferred from FY 2014 to FY 2013 for higher than projected final enrollments, and reduces funding by \$898,488 GF to reflect actual enrollment in English as a Second Language programs (\$612,157) and Remedial Summer School (\$286,331).
- Incentive and Categorical Programs. Captures \$3.0 million GF in the Strategic Compensation Grant initiative and about \$332,264 in Governor's Academic Schools account balances, along with \$2.9 million GF across various Special Education regional based programs (Homebound, State Operated Programs & Jails) for changes in Fall Membership, participation rates, and test scores.

- *Capture Balances.*

- Compensation Supplements. Reduces funds by \$9.3 million GF as a result of localities not providing the salary increases required to be eligible for the state incentive funding for a 2 percent salary supplement for instructional and support positions.

- Reading Specialists. Captures \$474,800 GF based on actual participation levels in the new reading specialists program.

– *Language.*

- Changes authority from the Board of Education to the Department of Education for both the Literary Fund Subsidy Program and the Educational Technology Grant Program.
- Adds authorization for the Department of Education to program \$12.4 million from the Literary Fund in FY 2014 to provide debt service payments for the education technology grant program conducted through Virginia Public School Authority in FY 2013.
- Proposes adding language specifying that state funding provided for educational programs in local or regional detention homes (in the state operated programs account) will be based only on students detained in these facilities through a court order issued by a Virginia court.
- Adds clarifying language for eligible schools that receive a grant in the Virginia e-Learning Backpack Initiative and that do not have grades 10, 11, or 12 may transition with the students to the primary receiving school for all years subsequent to grade 9.

• **Department of Education**

- *Reductions.* Proposes reducing funding by \$105,720 GF by holding 1 to 2 GF positions vacant in FY 2014; \$50,375 GF for efficiency savings; and \$35,000 GF by reducing training for teacher evaluation funds (these reductions are reflected in Central Appropriations, Item 471.10 of the introduced budget).
- *Neighborhood Assistance Act Tax Credit.* Proposes increasing the annual taxable year limitation from \$50,000 on individual tax credits to \$125,000 on individual donations (this language change is reflected in Part 3-5.04 of the introduced budget).

Finance

- **Department of Accounts Transfer Payments**
 - *Adjust Funding for the Tennessee Valley Authority Payments in Lieu of Taxes.* Includes an additional \$200,000 GF in FY 2014 for distribution to the Tennessee Valley Authority for payments in lieu of taxes to reflect current revenue projections.
- **Department of Taxation**
 - *Funding for Additional Compliance Collection Staff.* Provides \$232,616 GF in FY 2014 so the Department can begin filling 10 new tax compliance staff. HB/SB 30 assumes \$10.0 million in additional revenue in both FY 2015 and FY 2016 from this initiative. HB/SB 29 assumes \$747,531 in additional revenues in FY 2014 from this initiative.
- **Treasury Board**
 - *Adjust Debt Service Funding.* Reflects savings of \$3.6 million GF in FY 2014 as the result of recent issuance of Virginia College Building Authority and Virginia Public Building Authority bonds at interest rates lower than previously assumed.

Health and Human Resources

- **Department of Health**
 - *Provide Funding for Plan Management Functions of Federally-Facilitated Insurance Marketplace.* Proposes \$80,000 GF in FY 2014 to fund the department's federal quality health plan certification process and supporting managed care insurance plan requirements. This cost will be offset by federal funds if they become available.
- **Department of Medical Assistance Services (DMAS)**

Forecast Changes

- *Medicaid Utilization and Inflation.* Includes proposed savings of \$73.6 million GF and provides \$14.6 million in federal Medicaid matching funds in FY 2014 from the impact of lower Medicaid managed care rates in FY 2012. Lower general fund costs are primarily attributable to lower than expected enrollment growth in

FY 2014, slightly lower fee-for-service spending and a lower “clawback” payment to the federal government for the Medicare Part D (Prescription Drug) program.

- ***Reduce Spending for Medicaid-Related State Child Health Insurance (SCHIP) for Low-Income Children.*** Proposes savings of \$2.8 million GF and \$8.2 million NGF in federal matching funds in FY 2014 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 Family Access to Medical Insurance Security (FAMIS) program (about 65 percent). Projected savings in FY 2014 are the result of lower managed care rates paid to providers and lower projected costs of the “woodwork” effect.
- ***Reduce FAMIS Funding to Align Spending with Projected Costs.*** Reduces spending by \$8.6 million GF and \$16.0 million NGF from federal Medicaid matching funds in FY 2014 for the FAMIS program to adjust spending for lower than projected managed care rates paid to providers.
- ***Adjust Virginia Health Care Fund Appropriation.*** Proposes a reduction of \$90.3 million GF and adds \$90.3 million NGF in FY 2014 to reflect additional revenues to the Virginia Health Care Fund primarily from higher Medicaid recoveries related to pharmacy rebates as well as accumulated unspent balances due to lower than expected Medicaid costs. Revenues from the Fund are used as a portion of the state’s match for the Medicaid program; therefore, higher revenues to the Fund allow for a reduction in general fund support. Revenues in the fund are derived from tobacco taxes, Medicaid recoveries, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). Major revenue changes can be attributed to:
 - \$44.4 million in additional Medicaid recoveries related to pharmacy rebates;
 - \$31.9 million in additional Medicaid recoveries due to recent settlements, primarily the recent settlement with McKesson Corporation due to artificially high Medicaid drug prices;
 - \$7.4 million in reduced tobacco tax revenues;
 - \$1.2 million in additional MSA Settlement revenues; and
 - \$20.2 million from unspent balances due to underspending in Medicaid in FY 2013, meaning these revenues can be used to offset spending in FY 2014.

- *Adjust Funding for Involuntary Mental Commitments.* Proposes a reduction of \$525,583 GF in FY 2014 to reflect lower costs of hospital and physician services for individuals subject to an involuntary mental commitment.
- *Provide Additional Funding for Medicaid Call Center.* The proposed budget includes \$1.7 million GF and \$13.3 million NGF from enhanced federal Medicaid matching funds in FY 2014 to provide full funding for a centralized customer service call center for applicants and/or recipients of Medicaid and FAMIS as well as other related functions necessary for the efficient and effective implementation of eligibility determination and enrollment for these programs. Federal regulations require that individuals be allowed to enroll in Medicaid by telephonic means, including recorded signatures. Last year’s budget included a deposit of \$1.5 million GF the second year to establish base funding for the call center.

- **Department of Behavioral Health and Developmental Services**

- *Fund Conditional Release Program.* Proposes adding \$153,720 GF in FY 2014 to supervise individuals ordered by the courts to participate in the sexually violent predators conditional release program. An estimated 55 individuals will participate in this program by the end of FY 2014, slightly more than originally estimated. About 17 additional individuals are expected to enter the program by the end of the fiscal year.
- *Provide NGF for Infant Toddler Online Tracking System (ITOTS).* Proposes \$250,000 NGF in FY 2014 for contractual services for the development, modification and improvements to the ITOTS. This will allow for the collection and reporting of data on the Early Intervention program by the Community Services Boards.
- *Authorize Anticipation Loan for Electronic Health Records.* Adds language authorizing the agency to request a treasury loan of not more than \$3.1 million to provide funding for the implementation of electronic health records at state mental health hospitals and training centers. Repayment is expected to be made from federal Medicare incentive funds related to this effort. Language specifies that the loan will be repaid no later than June 30, 2015. The use of electronic health records is mandated by the federal Patient Protection and Affordable Care Act in order to continue receiving Medicaid and Medicare reimbursement for services.
- *Increase Line of Credit for Agency.* Authorizes the increase of the line of credit for the Department by \$10.0 million, bringing the authorization to \$30.0 million. The Department will not receive full reimbursement from the Medicaid program until

cost settlements are paid in the spring, due to the downsizing and closure of state facilities.

- *Adds Language to Allow Reductions to Earmarks Using Federal Block Grant Funds.* Adds language to allow for the proportionate reduction of federal Community Mental Health Services Block Grant funds for two specialized geriatric mental health services programs. It is anticipated that the federal government will reduce funding for this block grant due to sequestration.

- **Department of Social Services**

- *Foster Care and Adoption Forecast.* Proposes an increase of \$3.4 million GF and \$3.0 million NGF in FY 2014 for forecast changes to the foster care and adoption subsidy programs. Adoption subsidies are projected to increase by \$5.5 million GF in FY 2014. This increased cost is offset by projected declines in Title IV-E foster care expenditures of \$2.1 million GF.
- *Offset Loss of Nongeneral Fund Revenues for Child Support Enforcement Operations.* Adds \$2.9 million GF and reduces by \$2.9 million NGF in FY 2014 for child support enforcement operations. Nongeneral fund revenues come from allowable retained child support collections on behalf of Temporary Assistance to Needy Families (TANF) recipients. Federal law allows the program to retain any child support payments in excess of \$50 each month for operating costs if the family receives TANF assistance in addition to child support.

As the TANF caseload continues to decline, the amount of child support collected on their behalf also declines. These retained collections are used to provide the state match for federal child support enforcement funding. It is estimated that retained TANF collections will decline by \$3.9 million in FY 2014. The introduced budget assumes that a portion of this loss (\$1.0 million) will be covered through efficiencies implemented within the Division of Child Support Enforcement. Because the state receives \$2.00 in federal support for every \$1.00 in general fund match, the division will need to achieve efficiencies totaling \$3.0 million to make up for the loss in collections and federal matching dollars.

- *Capture Surplus in Funding for the Auxiliary Grant Program.* Proposes to reduce \$2.0 million in general fund spending for the auxiliary grant program in FY 2014. Fewer individuals are expected to participate in the program.
- *Adjust TANF Funding to Account for Providing Mandated Benefits.* Proposes a net reduction in TANF spending of \$11.7 million NGF due to the continued decline in the TANF caseload of 3.0 percent. TANF funding for mandated cash assistance and VIEW child care assistance is expected to decline by \$18.6 million

NGF in FY 2014. This reduction is offset by additional TANF spending allocations for a caseload reserve of 3.0 percent (\$2.8 million NGF), information systems (\$1.0 million NGF), and local DSS staff support (\$3.1 million NGF). The following table details the changes from Chapter 806.

**TANF Block Grant Funding
FY 2014 Introduced Budget (HB/SB 29)**

	Chapter 806 FY 2014	Proposed HB 29 FY 2014
TANF Resources		
Annual TANF Block Grant Award	\$158,285,000	\$158,285,000
Carry-Forward From Prior Fiscal Year	<u>7,577,009</u>	<u>39,078,902</u>
Total TANF Resources Available	\$165,862,009	\$197,363,902
TANF Expenditures		
<i>VIP/VIEW Core Benefits and Services</i>		
TANF Income Benefits	\$65,226,447	\$54,830,842
VIEW Employment Services	11,612,144	11,612,144
VIEW Child Care Services	15,648,776	7,432,268
TANF Caseload Reserve (3%)	<u>0</u>	<u>2,823,558</u>
Subtotal VIP/VIEW Benefits and Services	\$92,487,367	\$76,698,812
<i>Administration</i>		
State Administration	\$2,936,580	\$2,997,073
Information Systems	3,052,023	4,052,023
Local Direct Service Staff and Operations	40,905,710	41,826,088
Local Eligibility and Administration	6,819,252	6,972,685
Eligibility System Maintenance/IT	<u>3,500,000</u>	<u>3,500,000</u>
Subtotal Administration	\$57,213,565	\$59,347,869
<i>TANF Programming</i>		
Local Domestic Violence Grants	\$0	\$0
Community Action Agencies	500,000	500,000
Healthy Families/Healthy Start	2,833,605	2,833,605
Comprehensive Health Investment Project (VDH)	<u>400,000</u>	<u>400,000</u>
Subtotal TANF Programming	\$3,733,605	\$3,733,605
Total TANF Expenditures	\$153,434,537	\$139,780,286
Transfers to other Block Grants		
CCDF Transfer – At-Risk Child Care	\$7,872,884	\$7,872,884
CCDF Transfer to Head Start (Wraparound) Services	2,500,000	2,500,000
SSBG Transfer – Comp. Services Act	9,419,998	9,419,998
SSBG Transfer - Local Staff Support	<u>4,405,502</u>	<u>6,405,502</u>
Total TANF Transfers	\$24,198,384	\$26,198,384
Total TANF Expenditures & Transfers	\$177,632,921	\$165,978,670

Natural Resources

- **Department of Conservation and Recreation**

- *Grants Management Expert.* Proposes \$75,000 GF in FY 2014 for the department to consult with a grants management expert to address deficiencies recently identified in the agency's compliance with financial and data reporting requirements of federal grants. Language requires an audit of all such funds and a report to the Secretary of Natural Resources, the Department of Planning and Budget and the Auditor of Public Accounts by September 1, 2014 of deficiencies discovered and corrective action taken for each grant, as well as a plan to maintain grant compliance for future grants.

- **Department of Environmental Quality**

- *Alexandria Combined Sewer Overflow Project.* Allocates \$1.0 million in Virginia Public Building Authority bonds for the City of Alexandria combined sewer overflow project. A corresponding amendment in Capital Outlay authorizes the issuance of the bonds.

- **Department of Game and Inland Fisheries**

- *Increase Transfer to Game Protection Fund.* Increases the transfer from the general fund to the Game Protection fund by \$2.4 million in FY 2014 based on revenue collected from the sales of hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment, wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated Recreation, pursuant to § 58.1-638 E., *Code of Virginia*.
- *Increase Transfer to Game Protection Fund for Watercraft Sales.* Increases the general fund transfer to the Game Protection Fund by \$2.0 million in FY 2014 to reflect additional watercraft sales and use taxes.

Public Safety

- **Department of Corrections**
 - *Substance Abuse Treatment Grant.* Includes \$342,147 GF in FY 2014 for the state share of a federal grant for the Residential Substance Abuse Treatment (RSAT) program. The state matching share has been increased, so DOC is paying for a larger proportion of the total cost of the program.
 - *River North Correctional Center.* Adds \$723,819 GF in FY 2014 for previously approved increases in personal services costs. The amounts provided for this purpose in Central Appropriations by the 2013 General Assembly did not factor in the new employees hired after the session at this new facility, which opened in October 2013.
- **Department of Emergency Management**
 - *Appropriation Reduction.* Removes surplus funding of \$520,901 GF previously provided for VITA transformation.
- **Department of Juvenile Justice**
 - *Turnover and Vacancy Reduction.* Captures a savings of \$2.0 million GF in FY 2014 resulting from the elimination of 15 vacant positions.
 - *Culpeper Juvenile Correctional Center.* Captures a savings of \$2.7 million GF in FY 2014 by freezing hiring at the Culpeper facility, deferring insurance premium prepayments, and closing two halfway houses (in Hampton and Staunton) in January 2014. This action also eliminates 25 positions. The Culpeper Juvenile Correctional Center will be turned over to the Department of Corrections for use as a women's prison.
 - *Hanover Juvenile Correctional Center.* Captures additional savings of \$1.2 million GF in FY 2014 from repurposing the Hanover facility. The department was authorized to retain this funding to address a nursing shortage at Culpeper Juvenile Correctional Center, but with the repurposing of the Culpeper facility, this funding is no longer needed.

Veterans Affairs and Homeland Security

- **Department of Veterans Services**
 - *Military Strategic Response Fund.* Restores \$249,058 GF in FY 2014 which was returned to the Commonwealth by the Hampton Roads Military and Federal Facilities Alliance and subsequently deposited into the general fund. This action is necessary to provide the full \$4.25 million to the Alliance to ease transportation around Fort Lee.

Transportation

- **Department of Transportation**
 - *Authorize Use of 2008 Balances for Transportation Partnership Opportunity Fund (TPOF).* Includes language making balances of \$31.1 million GF remaining from a 2008 appropriation to the Transportation Partnership Opportunity Fund available for additional grants or loans from that Fund.
- **Department of Motor Vehicles**
 - *Clarification Regarding Collection of Regional Fuels Tax.* Includes language in § 3-5.10 clarifying that the additional regional sales tax on fuels does not apply to aviation fuel, mirroring the treatment of aviation use fuel for other taxing purposes. Similar language is continued in HB/SB 30.

Central Appropriations

- **Compensation Supplements**
 - *Employee Bonus.* Proposes a one-time bonus payment equal to 2 percent of base pay on December 1, 2014, for all employees of the Commonwealth, except elected officials, who were employed on April 1, 2014, and who continue employment until at least November 24, 2014. Employees eligible to receive a bonus payment under this action must “meet expectations” on annual performance evaluations. This bonus is contingent on a June 30, 2014 discretionary general fund balance

being at least \$107.8 million, twice the estimated cost of the 2 percent bonus of \$53.9 million GF. This approach is similar to the one used to implement a one-time 3 percent FY 2012 bonus. The language included pursuant to the annual evaluations uses terminology for ratings no longer in use and would need to be amended if bonus language is in the final Appropriation Act.

- ***Performance Bonus.*** Proposes a one-time bonus payment equal to 1 percent of base pay on December 1, 2014 for those employees that “exceed expectations” on annual performance evaluations. This phase of the bonus is contingent on an additional discretionary general fund balance, as of June 30, 2014, of \$7.0 million, twice the estimated cost of the additional 1 percent bonus for employees who meet the benchmark evaluation. The language included pursuant to the annual evaluations uses terminology for ratings no longer in use and would need to be amended if bonus language is in the final Appropriation Act.

- **Transition Expenses**

- ***Attorney General Recount.*** Proposes \$50,000 GF to cover unanticipated expenditures resulting from the 2013 Attorney General election recount.

- **Distributions to Agencies**

- ***Distribution to Agencies for DHRM Shared Services Expenses.*** Includes amendments in 16 agencies throughout the budget to provide \$53,088 GF in funding to enable these agencies to reimburse the Department of Human Resources Management for the full cost of the Shared Services Center which provides HR services to agencies at their option.

- ***Executive Management Savings***

- ***Savings from Management Actions.*** Proposes \$3.8 million GF in savings actions from FY 2014 appropriations from 22 line agencies based on savings strategies solicited during budget development.

FY 2014 Proposed Agency Savings Strategies
(GF)

<u>Agency</u>	<u>FY 2014</u>	<u>Total</u>
Department of General Services	\$149,089	\$149,089
Department of Elections	25,344	25,344
Department of Agriculture and Consumer Services	282,000	282,000
Department of Forestry	40,000	40,000
Department of Small Business and Supplier Diversity	750,000	750,000
Department of Labor and Industry	86,885	86,885
Department of Mines, Minerals and Energy	134,877	134,877
Virginia Economic Development Partnership	190,011	190,011
Virginia Museum of Fine Arts	110,712	110,712
Department of Education, Central Office	191,095	191,095
State Council of Higher Education for Virginia	87,665	87,665
Department of Accounts	216,954	216,954
Department of Taxation	112,000	112,000
Department of Behavioral Health and Developmental Services	168,754	168,754
Department for Aging and Rehabilitative Services	10,000	10,000
Woodrow Wilson Rehabilitation Center	97,139	97,139
Department of Conservation and Recreation	257,304	257,304
Department of Criminal Justice Services	674,073	674,073
Department of Emergency Management	22,326	22,326
Department of Fire Programs	44,513	44,513
Innovation and Entrepreneurship Investment Authority	95,650	95,650
Virginia Information Technologies Agency	<u>41,387</u>	<u>41,387</u>
Total	\$3,787,778	\$3,787,778

Independent

- **Virginia Retirement System**

- *Funding and Staffing to Support Implementation of the New Hybrid Retirement Plan.* Includes \$3.4 million NGF in FY 2014 and 11 additional staff to support the implementation and administration of the new hybrid retirement plan. HB/SB 30 includes \$1.4 million NGF in FY 2015 and FY 2016 to support the ongoing cost of the 11 full time positions.

- *Funding to Support Additional Office Space and Parking as a Result of Increases in Investment Staff.* Includes \$1.0 million NGF in FY 2014 to support the cost of relocating the Investment Department into larger space and increased parking cost. This amount includes the one-time cost of the relocation. HB/SB 30 assumes \$435,000 NGF in both FY 2015 and FY 2016 to reflect the ongoing cost of the increased office space and parking space.
- *Funding for Building Repair and Improvements.* Provides \$750,000 NGF in FY 2014 for cost incurred in remodeling and repairing VRS' office buildings partially to accommodate additional staff.
- *Funding for Software Upgrades.* Assumes \$375,000 NGF in FY 2014 for the cost of software upgrades for VRS' workforce management application and Microsoft office.

Capital Outlay

Proposed Capital Outlay Amendments (2012-14 Biennium)	
<u>Fund Type</u>	<u>\$ in Millions</u>
HB/SB 29	
VPBA/VCBA Tax-Supported Bonds	\$29.3
Nongeneral Funds	(5.6)
Total	\$ 23.7

The Governor's proposed capital outlay amendments to the FY 2014 budget include:

- **George Mason University**
 - *Expand Hylton Center.* Recommends an additional \$2.6 million NGF, from higher education operating funds, for expanding the Hylton Center. This project was originally authorized for construction by the 2012 General Assembly as part of a project pool.

- *Construct Academic VII/Research III.* Proposes to replace a prior \$20.0 million NGF appropriation for a portion of this project with the same amount of tax-supported debt. Fundraising efforts to raise the nongeneral funds have not been successful.
- **James Madison University**
 - *Renovate Madison Hall.* Recommends moving this project to the detailed planning stage. This project was originally authorized for preplanning by the 2013 General Assembly. No additional nongeneral funds are provided for this change.
- **Virginia State University**
 - *Construct Water Storage Tank and Campus Water Distribution Piping.* Recommends an additional \$8.3 million in tax-supported debt for this project, which was originally authorized for construction by the 2013 General Assembly as part of a project pool. Also includes an additional \$1.6 million NGF representing Chesterfield County’s participation in the project.
- **Virginia Community College System**
 - *Eastern Shore Academic/Administration Building.* Recommends changing the scope of this detailed planning project from a major renovation to demolition and new construction. This project was originally authorized for detailed planning by the 2012 General Assembly but a preplanning study determined the facility was too far deteriorated for renovation.
- **Worker’s Compensation Commission**
 - *Acquire New Headquarters Building.* Proposes an additional \$10.2 million NGF, from agency funds, for acquisition/construction of a new administration building for the Commission. This project was originally authorized by the 2012 General Assembly as part of a project pool. Proposed language also would allow the project to become a capital lease if such a suitable alternative to new construction was determined to be economically beneficial.
- **Virginia Port Authority**
 - *Expand Port Terminals.* Language amendment proposes to allow the scope of this project to be expanded to include paving of the Exxon yard and north gates to provide additional storage and accommodate straddle carriers, as well as the purchase of rolling stock to increase capacity. There is no increase to the original project budget off \$105.5 million in bonds, which was originally authorized by the 2012 General Assembly.

FY 2014 GF Operating Budget = \$17,737.0

HB/SB 29

(\$ in millions)

