

2014 Special Session I Summary of House Bill 5001

Overview of HB 5001

House Bill 5001 is the “caboose” bill (HB 29), as introduced, in the Special Session I. The items included in the bill represent the Conference Agreement reached between the House and Senate conferees.

The major items of note are as follows:

- Reflects the House position on revenues for the most part, adding a forecast adjustment of \$1.2 million in firearms background check fees
- Adjusts \$677,161 in excess year-end cash balances in the Department of Emergency Management’s Disaster Recovery Fund
- Adjusts ABC profits by \$1.0 million
- Includes \$4.8 million in additional jail per diem funding
- Provides additional funding to support closure of the Culpeper Juvenile Correctional Center which is being converted to a women’s correctional center (\$575,000)
- Fills shortfall at the Virginia School for the Deaf and Blind (\$300,000) and restore cuts at the Department of Education (\$50,375)

The Conferees also agreed to move consideration of a number of issues to HB 5002 to allow HB 5001 to be finalized. This includes:

- Use of Transportation Partnership Opportunity Fund balances
- Use of Abbott Labs settlement funding for the Commonwealth Attorney’s Services Council
- Discussion of the proposed bonds to supplant NGF gift revenue for the George Mason University Academic VII / Research III Building project
- Discussion of the Alexandria combined sewer overflow project

2014 Special Session I Summary of House Bill 5002, as Amended

The starting point for HB 5002 is HB 30, as introduced, in the 2014 Regular Session.

The “front page” of House Bill 5002 as introduced differs from House Bill 30 and reflects:

- The Mid-Session revenue reforecast,
- Spending and savings actions adopted in HB 5001, and
- Passage of stand-alone legislation impacting revenues at the 2014 Regular Session (e.g. HB 460, SB 100, etc.).

In total, these changes reduce the carry-forward balance from year-end fiscal year 2014 by \$57.9 million. The reduced starting balance is offset by an increase in assumed revenues in FY 2015 and FY 2016 totaling \$33.8 million in the HB 5002 as introduced. The net result is a reduction in general fund resources available over the FY 2014-16 biennium of \$24.1 million compared to the resources assumed in House Bill 30 as introduced at the 2014 Regular Session.

Amendments to HB 5002

The package of amendments to HB 5002 largely reflect the House Amendments to House Bill 30 as adopted on February 20, with a series of changes reflecting preliminary conference agreements/offers in a number of areas and legislation that passed both Houses during the 2014 Regular Session, as detailed below.

When resource actions – transfers and balance adjustments – as well as all of the spending amendments in the recommended package are included, the amendments to HB 5002 leave an unappropriated balance of \$8.4 million at the close of the biennium.

General Government

The amendments for General Government reflect the previously approved HB 30 amendments and also include the following changes:

- Modifies a language amendment prohibiting local Treasurers from contracting with Commonwealth's Attorneys to collect overdue fines and

fees on a contingency fee basis. The modified language allows Treasurers who currently have contracts on a contingency basis to continue this practice through December 31, 2016.

- Includes \$58,157 general fund each year additional funding for dues and travel expenses related to the National Conference of State Legislatures, the Council of State Governments and the Southern Regional Education Board. This amendment restores funding which was reduced in the 2010 Appropriation Act.

Commerce and Trade

The amendments for Commerce and Trade reflect the previously approved HB 30 amendments and also include the following changes:

- Restoration of \$2.4 million each year for the Motion Picture Opportunity Fund, reflecting the conference agreement on House Bill 460, which increased the cap on motion picture tax credits to \$6.5 million each year and continues, at a reduced level, the Motion Picture Opportunity Fund.
- Language adjustments to the Slavery and Freedom Heritage Site funding to clearly delineate amounts available for improvements to the Slave Trail and separate funding requirements for Lumpkin's Pavilion and the proposed slavery museum.
- Restoration of funding in FY 2015 for the Virginia Economic Development Partnership to support international trade efforts of Virginia's defense contractors.

Public Education

The amendments for public education reflect the previously approved HB 30 amendments and also include the following changes:

- Reflects the House conference proposal that provides \$40.4 million in FY 2016 to pay the state's share of a 1% pay increase for funded SOQ teacher and support positions and is based on a July 1, 2015, effective date.
- New amendment for the Cost of Competing Adjustment (COCA) that reflects a second year allocation of \$5.4 million GF to eligible divisions.
 - This adds to the \$5.4 million in FY 2015 which was included in the House budget.

- New amendment provides a net increase of \$2.1 million in FY 2015 and \$2.4 million in FY 2016, based on the additional sales tax revenues generated from the passage of SB 100 and forecast adjustments related to internet retailers.
- Redirects a total of \$17.5 million of the Literary Fund revenues that had been budgeted for additional school construction loans for retirement payments and saves an equal amount of GF to reflect the Senate savings amendment.
- New amendment reflects adoption of the Senate's savings of \$5.2 million GF each year by modifying the K-3 Class Size Reduction program's funding formula to use a three-year average rather than a single year of data. The formula adjustment will help smooth out the anticipated state funding school divisions receive for the program.
- New amendment reflects adopting the Senate savings of \$250,000 in GF savings each year by reducing the teacher staffing in the juvenile detention centers by one percent.

Higher Education

The amendments for higher education reflect the previously approved HB 30 amendments except as follows:

- The budgets for higher education institutions reflect the House conference proposal for a one percent bonus for faculty in the first year (\$8.0 million) and a one percent faculty salary increase in the second year (\$10.4 million).
- Also, based on the House conference proposal, a one percent bonus in the first year for classified employees (\$3.8 million) and a one percent classified salary increase (\$4.4 million) is reflected in the central appropriations.

Health and Human Resources

The amendments for Health and Human Resources reflect the previously approved HB 30 amendments and also include the following changes:

- Adjustments to the Medicaid forecast in FY 2015 recognize general fund savings of \$24.0 million.
 - This amount had been included in the Medicaid forecast in the event the program had to repay the federal government for disputed Medicaid payments made to physicians and pharmacists who provided services to

- Medicaid eligible children residing in free-standing children's psychiatric hospitals and residential treatment centers.
- The federal Centers for Medicare and Medicaid have recently accepted the corrective action plan for implementing required billing changes effective July 1, 2014, and the funding is no longer needed to settle the disputed payments.

The following are new amendments to address mental health legislation passed during the 2014 Regular Session and related mental health issues:

- An amendment reduces savings by \$1.1 million GF in FY 2015 and \$1.3 million GF in FY 2016 to reflect legislation passed during the 2014 Regular Session (SB 260) which extends the maximum period of time an adult with mental illness may be held under a temporary detention order (TDO) from 48 to 72 hours.
 - HB 30, as introduced, proposed \$1.4 million GF the first year and \$1.7 million GF the second year to extend the TDO maximum period from 48 to 72 hours and to require a minimum TDO period of 24 hours. HB 30, as adopted, eliminated this funding because the proposed legislation did not pass.
 - The 24-hour minimum for which an individual must be detained under a TDO was not adopted in SB 260, resulting in savings to the general fund of \$279,027 the first year and \$393,920 the second year.
- Includes an additional \$1.8 million GF in FY 2015 and \$2.1 million GF in FY 2016 to add more crisis intervention team (CIT) drop-off centers totaling 10 additional centers in the first year and 12 centers in the second year.
 - With funding included in the introduced budget, a total of 24 new CIT drop-off centers will be added over the biennium.
- Includes an additional \$950,000 GF each year to add another Program for Assertive Community Treatment (PACT) team. In total, the amendment will add two more PACT teams over the biennium to treat individuals with serious mental illness in the community.
 - With funding included in the introduced budget a total of four new PACT teams will be added in the 2014-16 biennium, bringing the total number of PACT teams statewide to 20.

Natural Resources

The amendments for Natural Resources reflect the previously approved HB 30 amendments except as follows:

- Includes \$1.5 million GF in additional funding each year for the implementation of agricultural best management practices.
- Reduces the savings from the original House amendment eliminating one-time funding for dam rehabilitation projects by \$400,000 each year due to the ongoing rehabilitation costs of Todd Lake Dam. The additional funding is necessary to match project costs funded by the federal Natural Resources Conservation Service.

Public Safety

The amendments for Public Safety reflect the previously approved HB 30 amendments except as follows:

- Does not contain any reductions in aid to localities with police departments (House Bill 599 funds).
- Includes an additional \$540,210 each year and eight positions to meet firearms transaction program workload requirements.
- Provides \$100,000 in additional funding each year for the Court Appointed Special Advocates (CASA) program.

Transportation

- The only modifications reflect adjustments to language amendments to address requests made by the Administration and the inclusion of one additional language amendment in Item 444.

Veterans Affairs

The amendments for Veterans Services reflect the previously approved HB 30 amendments except as follows:

- Provides an additional \$500,000 in FY 2015 to prevent encroachment around Langley Air Force Base, providing a total commitment in FY 2015 of \$1.0 million.

Compensation Proposal

Consistent with House budget, funding for compensation increases for state employees and state-supported local employees are included, along with funding to increase VRS rates for state employee plans in FY 2016 up to 100 percent of VRS board certified rates. Both are deposited into a revenue reserve which totals \$148.8 million.

- Compensation package in revenue reserve is consistent with the House's conference proposal for compensation.
 - One percent bonus for State Employees and State Supported Local Employees on January 1, 2015 (excluding those eligible for targeted salary increase).
 - 12 months of one percent salary increase in FY 2016 for state employees and state-supported local employees (excluding those eligible for targeted salary increase).
 - Include additional funding for classified employees at higher education facilities in Central Appropriations.

Capital Outlay

The amendments for capital outlay reflect the previously approved HB 30 amendments except as follows:

- As opposed to \$38.0 million in bonds, the stormwater grants in capital outlay now include \$30.0 million general fund and \$8.0 million of Virginia Public Building Authority Bonds.
- \$2.5 million GF is provided to the Department of Conservation and Recreation for land acquisition, planning and development costs for Clinch River State Park.

Part 3

- Increases the estimate of ABC Profits transferred to the general fund by \$500,000 the first year and \$3.6 million the second year.
- Transfers an additional \$935,821 in each year from firearms background check fees above the forecasted amounts. A companion amendment in Public Safety spends a portion of these dollars.