

**Key Features of the
Conference Committee Report on HB 5001
(May 5, 2004)**

- The actions in the Conference Report make significant investments to support core state services, and take concrete steps to address the concerns of the rating agencies regarding Virginia's fiscal health.
- Specific actions and areas of investment include:
 - Rebuilding the Rainy Day Fund;
 - Public and Higher Education;
 - Health and Human Resources;
 - Public Safety;
 - Natural Resources;
 - Virginia's Court System; and
 - Employee Compensation.

Rebuilding the Rainy Day Fund

- Provides \$87.0 million GF in FY 2006 as a supplemental deposit to the Rainy Day Fund.
- When this action is combined with the elimination of the previously planned transfer of \$128.5 million and the constitutionally required deposit of \$87 million in FY 2004 (Chapter 943), the Rainy Day Fund will total in excess of \$430 million by the end of the 2004-06 biennium.

Public Education

- Provides nearly \$760 million (including \$377 million from the quarter-cent sales tax increase) over the amounts recommended in the budget, as introduced, to meet the state's share of funding public education.
 - Funds the "re-benchmarking" of the SOQ for the 2004-06 biennium, including \$328.1 million to restore 100 percent of the proposed deduction of certain local revenues from the SOQ calculations as well as 71 percent of the deduction of certain federal revenues.
 - Provides about \$326 million over and above the budget as introduced to address revisions recommended by the Board of Education and adopted during the 2004 Session of the General Assembly.
 - Allocates 1/8 of a cent of sales tax revenues (\$188.9 million) for public education on the basis of school-age population.
- Funding for the SOQ revisions includes: recognizing elementary resource teachers, required daily planning periods for middle and high school teachers, instructional and support positions to assist schools with the integration of new technology in the classroom, fully-funding the Northern Virginia cost of competing adjustment, and providing additional teaching positions to address the expanding needs of students requiring English as a Second Language (ESL).
 - The changes in the standards translate into an additional 8 instructional positions per 1,000 students.
 - This action bridges the gap between the standards (as last reviewed by the Board in 1988) and current practice in the classroom.

- Provides an additional \$50.7 million for the Virginia Preschool Initiative to recognize 90% of at-risk four-year-olds the first year and 100% in the second year who are unserved by Head Start programs. In addition to the funding, new academic standards will replace current guidelines for student learning and achievement.

Higher Education

- Provides an increase of \$175.8 million for base adequacy, to address student enrollment growth and meet core academic programs at our state colleges and universities. Additional funding will allow institutions to:
 - Slow the growth in tuition;
 - Serve an increasing number of students;
 - Maintain rigorous, high-quality academic programs.
- Provides an additional \$3.3 million over the biennium, in addition to the \$4.1 million provided in the budget, as introduced, for student financial aid.
- Provides a faculty salary increase of 3.0 percent (as of November 25, 2004) and sets aside a pool of funds for salary increases in the second year.
- Raises Tuition Assistance (TAG) Grants to an estimated \$2,500 for undergraduates and \$1,900 for graduate students at Virginia's independent colleges.
- Provides targeted funding to support research and economic development activities.

- Provides an additional \$2.4 million for the Northern Virginia Community College Medical Education Campus, over the \$7.0 million included in the introduced budget.

Health and Human Resources

- Includes new investments in community-based Medicaid waiver programs in three ways:
 - First, provides \$38.4 million GF to expand the existing Mental Retardation waiver program so an additional 700 persons currently living at home will be able to receive individualized training and habilitation services and 160 persons residing in mental retardation training centers can be discharged and served in their communities;
 - Second, provides \$2.9 million GF to create a new but less-intensive program called the Day Support waiver, to provide services such as independent living skills for 300 individuals with mental retardation living at home with parents or siblings, while at the same time providing respite for the care-givers; and,
 - Third, provides \$3.6 million GF to add 105 new Developmentally Disabled (DD) Waiver slots for individuals age six and older with disabilities such as autism or cerebral palsy. Services include in-home care and personal assistance.
- Provides rate increases for Medicaid providers, including:
 - \$9.7 million GF in FY 2006 to increase nursing facility Medicaid payments by \$3.00 per day;
 - \$9.1 million GF in FY 2006 to increase hospital payments to reimburse hospitals for about 75 percent of their allowable Medicaid costs for inpatient services;

- \$4.7 million GF for a three percent increase for mental retardation services provided by group homes or individual providers on July 1, 2005. A modest increase is provided on July 1, 2004;
 - \$3.0 million GF for a five percent increase for home care services provided to the elderly and disabled, effective July 1, 2005;
 - \$2.2 million to increase payments to assisted living facilities serving auxiliary grant recipients by 3.2 percent, effective July 1, 2005;
 - \$1.5 million GF to increase Medicaid payments to hospital Neonatal Intensive Care Units that serve a high proportion of Medicaid infants;
 - \$869,249 GF to increase pharmacy dispensing fees for generic drugs from \$3.75 to \$4.00 per prescription beginning in FY 2006; and
 - \$289,021 GF to increase Medicaid payments to emergency room physicians by two percent beginning July 1, 2004.
- Provides \$2.4 million GF to provide services to the physically disabled, including Centers for Independent Living, brain-injury services, and sheltered workshops.
 - Provides \$1.6 million GF for services provided by local Area Agencies on Aging, including congregate and home-delivered meals, case management, and other locally determined services.
 - Provides \$1.0 million GF for Community Action Agencies.

- Balances spending from the federal Temporary Assistance to Needy Families (TANF) block grant by restoring general funds for child day care services, reducing funding for eight programs by 10 percent, and requiring twelve programs to compete for \$1.5 million each year in the competitive grant program. In addition, the budget continues funding at the FY 2004 level for ten programs, including the TANF child support supplemental program.

Public Safety

- Authorizes construction of a new medium-security prison in Tazewell County, and a second new prison in Pittsylvania County. Construction of the second prison is contingent on certification by the Secretary of Public Safety as to the need for the facility.
- Authorizes planning for a third new prison in the Mount Rogers Planning District, in Southwest Virginia.
- Provides full funding for 33 correctional officers approved by the 2003 Session; adds 25 new adult probation officers; and provides funding to fill juvenile probation officer positions held vacant due to budget cuts.
- Provides authority for new jail construction projects to be approved by the Board of Corrections.
- Meets the state obligation to pay for the costs of maintaining prisoners in our local and regional jails by restoring \$11.3 million for prisoner per diems.
- Provides \$2.5 million GF to expand local community corrections and pre-trial release programs.

- Authorizes \$159.3 million in tax-supported bond financing for the first phase of the State Agencies Radio System (STARS), bringing Virginia's public safety communications system for our first responders into the 21st century.

Natural Resources

- Allocates a total of \$15 million GF each year to the Water Quality Improvement Fund and \$2.5 GF million each year to the Virginia Land Conservation Fund.
- This additional funding will:
 - Reduce the level of nutrients washing into Virginia waters annually;
 - Prevent the erosion of topsoil from agricultural lands through implementation of enhanced Best Management Practices;
 - Preserve 5,000 acres of land.
- Requires that 15 percent of any year-end surpluses deposited to the Water Quality Improvement Fund be placed in a reserve to ensure funding for water quality initiatives during economic downturns.
- Provides additional funds for four services:
 - Restores 10 state park rangers;
 - Restores general funds for water and waste permit programs in the Department of Environmental Quality;
 - Restores funds for soil and water conservation districts;

- Earmarks nongeneral funds for up to ten marine police officers.

Virginia's Court System

- Adds five new Circuit Court judgeships and two new Juvenile and Domestic Relations Court judgeships.
- Strengthens judicial system staff support with 49 positions for the District Courts.
- Enhances the Public Defender System by adding 32 new positions and creating new Public Defender Offices in Arlington-Falls Church, Newport News, Hampton, and Chesapeake.

Employee Compensation

- Addresses state employee compensation in the first year rather than deferring increases until 2005.
 - Provides a 3.0 percent salary increase for state classified and state-supported local employees, effective November 25, 2004.
 - Provides a 3.0 percent salary increase for college faculty, effective November 25, 2004.
- Provides a reserve of \$26.8 million GF for a second year salary increase for state employees and college faculty.
- Addresses public safety compensation by providing competitive salaries for State Police, Capitol Police, deputy sheriffs, and judges.

Capital Outlay

- Provides \$40.0 million GF for a central maintenance reserve fund to address repair and replacement of major building systems at state agencies and institutions of higher education.
- Provides \$5.3 million GF to Norfolk State and Virginia State for maintenance reserve projects in accordance with the OCR Agreement.
- Provides \$300,000 GF to fund a statewide assessment of deferred maintenance by the Auditor of Public Accounts.
 - The Auditor of Public Accounts will report back to the Chairman of the House Appropriations and Senate Finance Committees prior to the 2005 Session on funding options and best management practices used by federal, state and local governments to address capital maintenance.
- Provides net additional debt authority of \$105.8 million in bonds for the Virginia Public Building Authority (VPBA) and the Virginia College Building Authority (VCBA). Major projects include:
 - \$73.6 million for a second medium security correctional facility in Pittsylvania County. The Secretary of Public Safety must certify the need for this facility before the project can begin.
 - \$15.3 million to construct a new business school on the Monroe Campus of Virginia Commonwealth University.
 - \$9.1 million to repair, replace and upgrade major mechanical systems throughout the Virginia Community College System.