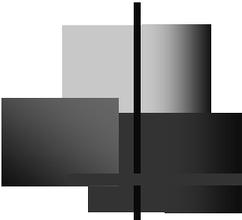


# House Appropriations Committee

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**Proposed Amendments to the  
2004-06 Budget  
House Bill 1500, as  
introduced**

**January 12, 2005**

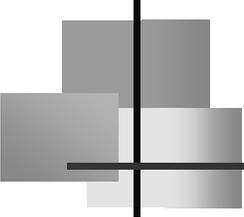


2005 Session

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# Budget Overview

# FY 2004 General Fund Revenue Collections



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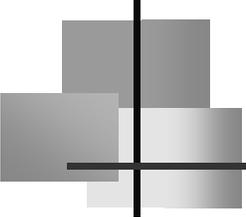
- FY 2004 tax collections grew 9.7 percent over FY 2003
  - Fiscal year forecast assumed a 6.7 percent growth rate
    - Revised upward in the fall of 2003 from 4.6%
  - Total revenues exceeded forecast by \$323.8 million
    - Income and sales tax represented 63% of the excess
- Virginia's economy is about 3 to 6 months ahead of the forecast
  - Employment grew twice the rate during the last 6 months of FY 2004, well ahead of forecast
    - March 2004, Virginia's economy was expanding – number of jobs exceed 2000 peak
    - Virginia is the seventh fastest growing state
  - NoVA spurring growth – MSA first in the nation
    - Accounted for over 50 percent of all new jobs created in the state
    - Continued federal spending – homeland security and defense
  - Business and professional services jobs continue to lead
  - Information technology and manufacturing expected to improve over the biennium
  - Tourism industry should continue to perform well
- Strong consumer purchasing
  - Retail sales were up over 12 percent, highest year-over-year increase since 1994
    - Strong job growth, home refinancing (40% was cash-out), tax refunds, and wage improvements
    - Lumber and building materials (8.6% of total sales) and home furnishings (8.0% of total sales) were up 18.3% and 14.0%, respectively from the previous year

# FY 2004 Surplus (\$323.8 million)

## Committed

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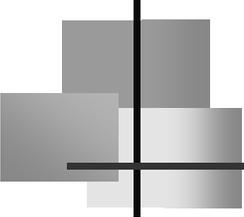
- Rainy Day Fund
  - 50 percent of surplus must be deposited as required under the Constitution (\$94.9 million additional needed)
    - \$87.0 million included in Chapter 4 (Budget Bill)
  - "Super" deposit required by Code (\$134.5 million)
    - Legislation adopted in 2003
    - Governor required to submit a budget amendment to 2005 Session making the deposit
- Water Quality Improvement Fund (\$32.4 million)
  - 10 percent of the surplus
- Personal exemption (\$28.3 million)
  - Budget Bill (Ch. 4) required the accelerated implementation of the personal exemption increase effective January 1, 2005 (\$800 - \$900)
- Maintenance reserve (\$40.0 million)
  - Due to September effective date of HB 5018, budget unallotted \$40.0 million for maintenance reserve
  - After funding the increase in the personal exemption, the Governor can re-allot the funding
- Hurricane Isabel (\$26.0 million)
  - Actual costs are expected to be \$25 to \$30 million greater than anticipated
- Accelerated Sales Tax to TTF (\$23.8 million)



# Revenue Outlook for the Remainder of the 2004-06 Biennium

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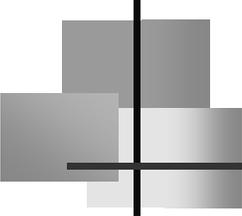
- How does FY 2004 actual GF tax collections impact FY 2005 and FY 2006 forecast?
  - FY 2004 actual collections form the base for the FY 2005 and FY 2006 re-estimate
    - The current biennial revenue estimate was predicated on the original FY 2004 estimate
  - The “official” growth rate assumed in Chapter 4 anticipated FY 2005 revenues would grow 7.4% over original FY 2004 estimate
    - Growth rate reflected the tax increase
    - Because of the FY 2004 surplus, a growth rate of only 4.5% is needed to meet the forecast



# Revised Economic Outlook 2004-06 Biennium

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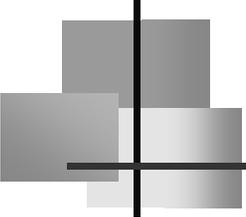
- Revised general fund revenue forecast assumes economic growth rates of 8.2 percent in FY 2005 and 5.4 percent in FY 2006
  - Forecast for fiscal year 2005 assumes Virginia will continue to outperform the nation
    - Major economic factors affecting the forecast – jobs, personal income, and wage and salary growth – will perform slightly better than fiscal year 2004
  - FY 2006 growth rate does not reflect tax policy changes
- General fund revenue collections remain strong through December, tracking ahead of the forecast
  - Growth is expected to moderate in the spring of 2005 due to the strong final quarter in 2004 where quarter over quarter growth was 14.1%
  - Mid-Session forecast will occur in early February



# Revised Economic Outlook 2004-06 Biennium

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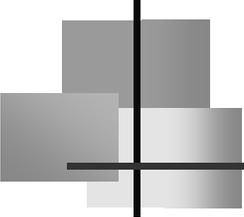
- Several tax policy changes are assumed in fiscal year 2006 that lower available general fund resources by \$129 million. These changes result in a “official” revised growth rate of 4.3 percent
  - Food tax reduction - \$99.1 million
    - Advance the remaining 1 cent food tax reduction in fiscal year 2006
  - Conform to federal tax law - \$6.7 million
    - Increased business expensing allowance, teacher deduction of up to \$250 for classroom expenses
  - Car rental tax to transportation - \$23.2 million
    - Redirects the 3 percent car rental tax -- originally earmarked for DMV and directed to the general fund in 2002 -- for use for rail improvements
- Net general fund tax revenues available total \$789.7 million



# HB 1500 Resources

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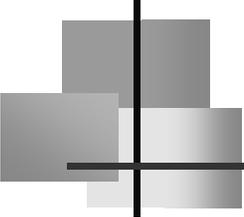
- Revised general fund transfers result in an additional \$108.2 million
  - Driven by a revision in expected Lottery and ABC profits, increase court collections and sale of surplus property
- Additional FY 2004 carry forward balance totals \$306.3 million
  - \$284.5 million is designated for Rainy Day Fund deposits, Lottery profits for education, and Water Quality Improvement Fund Deposit



# HB 1500 Budget Savings

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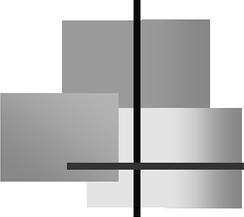
- Budget savings include:
  - Public Education - \$81.5 million
    - Revised ADM forecast, participation in incentive and categorical accounts
  - Personal Property Tax Relief - \$59.3 million
    - Revised forecast for reimbursements for tax year 2004 and 2005
  - Debt service payments - \$32.8 million
  - Medicaid - \$36.9 million
    - Revenue max strategies at MCV hospital and MHMR case management



# HB 1500 Spending

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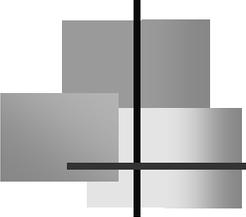
- Total spending increases in HB 1500 total \$1,426.9 million
  - Approximately \$285 million in spending reflects June 30, 2004 commitments for Rainy Day Fund, Lottery and Water Quality Improvement Fund
- Five categories of spending in budget:
  - Statutory: \$577.2 million: Driven by federal or state law i.e., “Rainy Day” fund, Medicaid, FAMIS (children's health insurance), Lottery profits and sales tax distribution for public education, Car Tax transition payment, Sheriff’s funding (jails and law enforcement), 599 funding
  - High Priority: \$207.2 million: Driven by historical commitments or enrollment demands i.e., higher education (enrollment, financial aid), employee health insurance premiums, employee pay raises, operation and maintenance of new facilities, medications for mentally ill
  - New Initiatives: \$431.8 million: Transportation, Virginia Works (tourism, industrial recruitment and marketing in distressed areas), Medicaid provider rate increases, gang initiative
  - Discretionary: \$44.2 million: Governor’s Opportunity Fund, semi-conductor education grant program, restoration of previous reductions
  - Capital Outlay: \$166.5 million: Project cost overruns, major system repairs, equipment for new facilities



# Accelerated Sales Tax Collections (AST)

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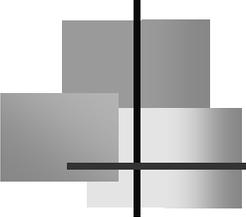
- The Governor's budget amendments does not address the AST
- When adopted in 2002, the intent of the General Assembly (Chapter 814) was to begin the phase out in FY 2006
  - Completed by FY 2012
- The fiscal impact is estimated at \$226 million in FY 2006
  - Approximately 9,860 retailers are impacted



# Revenue Stabilization Fund

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- Constitutionally-mandated deposit
  - FY 2006 deposit of \$268.9 million based on FY 2004 revenue growth
    - \$87.0 million pre-deposited in FY 2004 pursuant to HB 29 (2004 Session)
  - Additional \$181.9 million required in FY 2006
    - \$139.0 million was designated by Comptroller from FY 2004 surplus revenues
      - \$87.0 million of designated funds had been appropriated in FY 2006 per Chapter 4
    - Net additional appropriation of \$94.9 million



# Revenue Stabilization Fund

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- Super Deposit
  - \$134.5 million deposit in FY 2005 based on FY 2004 revenue growth
  - Requirement based on legislation approved by 2003 Session
- Balance in fund by close of FY 2006 will be \$677.0 million

# HB 1500 Resources and Spending

\$ in millions	FY 2005	FY 2006	Biennium
Chapter 4, unappropriated balance		\$15.2	\$15.2
FY 2004 Additional Balance Forward	\$306.3		\$306.3
GF Revenue (revised forecast)	\$450.8	\$467.9	\$918.7
Transfers (Lottery and ABC Profits)	\$28.5	\$79.7	\$108.2
Tax Policy Changes (Food tax, federal conformity, and 3% car rental tax)	(\$9.4)	(\$119.6)	(\$129.0)
Total Resources Available (net)	\$776.2	\$443.2	\$1,219.4
HB 1500 Spending	\$708.5	\$718.4	\$1,426.9
HB 1500 Savings	(\$138.6)	(\$74.9)	(\$213.5)
HB 1500, unappropriated balance			\$6.0

# 2004-06 General Fund Amendments

## *Selected Mandatory / Statutory Spending*

GF \$ in Millions	FY 2005	FY 2006	Total
Medicaid Utilization and Inflation	\$96.8	\$85.9	\$182.7
Health Care Fund Shortfall	\$6.2	\$20.7	\$26.9
Medicaid (SCHIP) Utilization	\$1.3	\$5.8	\$7.1
DSS – GF for Temp. Assistance to Needy Families	\$2.0	\$7.4	\$9.4
Children’s Health Insurance (FAMIS) Enrollment Growth	\$0.0	\$2.1	\$2.1
Public Education Composite Index Change	\$0.3	\$0.4	\$0.7
Public Education – Net Lottery and Sales Tax Adjustments	\$22.1	\$26.0	\$48.1
Sheriffs – New Deputies - 1:1500 & Jail	(\$0.3)	\$0.9	\$0.6
DCJS – HB 599 Program	\$0.0	\$4.2	\$4.2
Criminal & Involuntary Mental Commitment Fund	\$8.8	\$0.7	\$9.5
Rainy Day Fund Constitutionally Mandated Deposit	\$0.0	\$94.9	\$94.9
Rainy Day Fund Super Deposit	\$134.5	\$0.0	\$134.5
Car Tax Transition Payment		\$24.0	\$24.0
Water Quality Improvement Fund Deposit	\$0.0	\$32.4	\$32.4

# 2004-06 General Fund Amendments

## *Selected High Priority*

GF \$ in Millions	FY 2005	FY 2006	Total
State Employee – Additional 1% increase on Nov 25, 2005	\$0.0	\$9.5	\$9.5
Higher Education Faculty – Additional 1% increase on Nov 25, 2005	\$0.0	\$3.9	\$3.9
State-supported Local Employees – 3% on Dec 1, 2005	\$0.0	\$12.8	\$12.8
State Employee Health Insurance Rate Adjustments	\$0.0	\$31.2	\$31.2
Local teachers – 3% on Dec 1, 2005	\$0.0	\$54.8	\$54.8
Public Education – Technical adjustments	\$10.2	\$9.5	\$19.7
Increase Medicaid OB/GYN Rates	\$7.4	\$9.2	\$16.6
DMHMRSAS – Early Intervention Services	\$2.2	\$2.3	\$4.5
DMHMRSAS – Pharmacy Shortfall in State Facilities	\$0.0	\$1.4	\$1.4
DMHMRSAS – Pharmacy Shortfall in Communities	\$5.5	\$0.0	\$5.5
DSS Child Welfare Improvements	\$0.0	\$2.7	\$2.7
Capital Project Cost Overruns	\$0.0	\$69.3	\$69.3
Maintenance Reserve Fund – capital repairs	\$45.4	\$0.0	\$45.4

# 2004-06 General Fund Amendments

## *Selected High Priority*

GF \$ in Millions	FY 2005	FY 2006	Total
Capital Equipment for New facilities	\$8.4	\$23.2	\$31.6
Capital Outlay Life, Safety and Federal Mandates	\$1.3	\$2.8	\$4.1
Higher Education In-State Enrollment Growth	\$0.0	\$12.2	\$12.2
Higher Education – operating costs for new facilities / campuses	\$0.0	\$3.7	\$3.7
Higher Education Financial Aid/TAG – maintain existing need	\$0.0	\$10.5	\$10.5
GEAR Up – Complete State Match	\$0.0	\$2.1	\$2.1
DCR – Litter Control and Recycling Fund	\$1.3	\$0.0	\$1.3
DOC – Day Reporting Centers	\$0.0	\$0.8	\$0.8
State Forensic Laboratory	\$0.0	\$1.5	\$1.5
DOC – Security Positions to Increase State Prison Beds	\$0.0	\$0.2	\$0.2
Adult Corrections - Replace Federal Grants	\$0.0	\$0.2	\$0.2
State Police – Petroleum Cost Increases	\$0.0	\$1.0	\$1.0
DJJ – Reorganization of Juvenile Correctional Centers	\$0.0	\$1.2	\$1.2

# 2004-06 General Fund Amendments

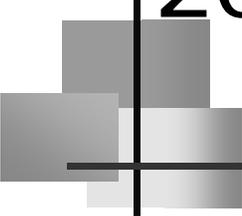
## *Selected New Initiatives*

GF \$ in Millions	FY 2005	FY 2006	Total
Transportation – Governor’s Initiative (GF only)	\$350.0	\$23.6	\$373.6
Public Education – State-supported breakfast program	\$0.0	\$1.6	\$1.6
Transfer MHMR Funds - Medicaid Case Mgmt. Rate Increase	\$0.0	\$9.3	\$9.3
DSS – Assisted Living Facility Rate Increase	\$0.0	\$4.5	\$4.5
Medicaid hospital rate increase	\$0.0	\$3.6	\$3.6
Expand FAMIS for pregnant women	\$0.0	\$3.3	\$3.3
Access to dental services	\$0.0	\$3.7	\$3.7
DMHMRSAS – Facility nurse retention	\$0.0	\$1.0	\$1.0
Higher education research supplements	\$0.0	\$2.5	\$2.5
Planning for southside university	\$0.0	\$1.5	\$1.5
VCCS technical training incentives for non-college bound	\$0.0	\$1.1	\$1.1
Dual enrollment counselors	\$0.0	\$0.6	\$0.6
State Police and Corrections - Gang Response / Investigation	\$0.0	\$1.0	\$1.0
Economic Development – Governor’s Initiatives	\$2.2	\$22.3	\$24.5

# 2004-06 General Fund Amendments

## *Selected Discretionary*

GF \$ in Millions	FY 2005	FY 2006	Total
DOE – School Accreditation Reviews	\$0.2	\$0.2	\$0.4
Public Education – expand “Race to GED” program	\$0.0	\$3.0	\$3.0
Public Education – other program support	\$0.3	\$1.4	\$1.7
DCE – Vocational and GED Re-entry Programming	\$0.0	\$0.5	\$0.5
DMA – Challenge Program Federal Match	\$0.0	\$0.2	\$0.2
DMHMRSAS – Expand Community Crisis Services	\$0.0	\$2.9	\$2.9
HHR – Olmstead Initiatives	\$0.0	\$0.8	\$0.8
DMHMRSAS – Children’s Mental Health Services	\$0.0	\$0.5	\$0.5
DMHMRSAS – Restore funds for Inspector General	\$0.0	\$0.5	\$0.5
Graduate student financial aid	\$0.0	\$2.4	\$2.4
Capital outlay – purchase Old City Hall leasehold interest	\$0.0	\$7.6	\$7.6
Capital outlay – planning for SVP and Hancock Geriatric	\$0.0	\$2.2	\$2.2
Capital outlay – VMI Kilbourne Hall supplement	\$0.0	\$3.7	\$3.7
Capital outlay – Norfolk forensics lab expansion	\$0.0	\$1.2	\$1.2



# 2004-06 General Fund Amendments

## *Selected Discretionary*

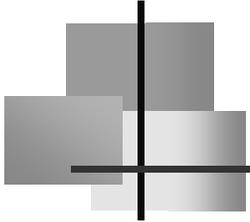
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GF \$ in Millions	FY 2005	FY 2006	Total
Governor's Office and Cabinet – Increased operating support	\$0.7	\$3.1	\$3.8
Judicial – additional law clerks	\$0.0	\$1.5	\$1.5
Commonwealth's Attorneys – Convert Part-time to Full-time	\$0.0	\$0.2	\$0.2
Commonwealth's Attorneys – Additional Positions	\$0.0	\$1.3	\$1.3
Armory Maintenance	\$0.0	\$0.1	\$0.1
State Parks – operating funds	\$0.0	\$2.0	\$2.0
VMRC – Marine Police Officers	\$0.0	\$0.3	\$0.3
Drug Courts – Replace Federal Funds	\$0.0	\$0.1	\$0.1
Inauguration and Transition Costs	\$0.0	\$0.5	\$0.5

# 2004-06 General Fund Amendments

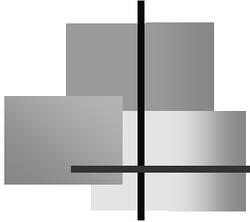
## *Budget Savings*

GF \$ in Millions	FY 2005	FY 2006	Total
Public Education – Lower ADM	(\$25.0)	(\$36.3)	(\$61.3)
Public Education – Adjust incentive and categorical	(\$14.6)	(\$3.6)	(\$18.2)
Public Education – Defer middle school math specialists	(\$2.0)	(\$0.0)	(\$2.0)
Treasury Board – Debt service	(\$16.3)	(\$16.5)	(\$32.8)
DMAS – Disproportionate share	(\$20.0)	(\$0.0)	(\$20.0)
DMHMRSAS – Supplant GF in CSBs	(\$0.0)	(\$16.9)	(\$16.9)
Indigent Defense – Delayed opening of new offices	(\$3.0)	(\$0.0)	(\$3.0)
Personal property tax relief revised forecast	(\$57.8)	(\$1.5)	(\$59.3)



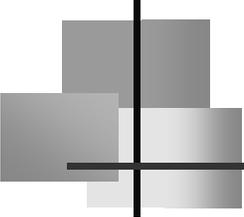
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# **Details by Secretarial Area**



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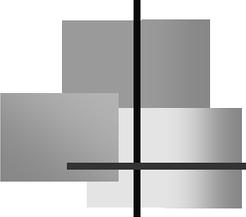
# Health & Human Resources



# Health & Human Resources

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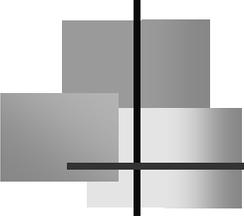
- New GF spending totaling \$297.3 million is recommended in HB 1500
- Spending is offset by \$38.2 million GF in savings
- New funding reflects ongoing spending commitments



# Health & Human Resources Mandatory

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- \$230.9 million in increased spending for caseload and cost increases
  - Medicaid Utilization and Inflation: \$182.7 million
  - Virginia Health Care Fund revenue shortfall: \$26.9 million
  - Medicaid Low-income children (SCHIP): \$7.1 million
  - Family Access to Medical Insurance Security (FAMIS): \$2.1 million
  - Involuntary mental commitments: \$2.7 million
  - GF for Temporary Assistance to Needy Families: \$9.4 million

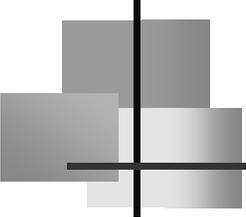


# Medicaid Program Growth

## \$182.7 million GF

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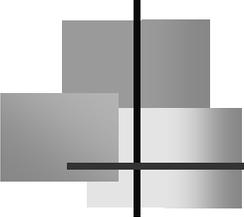
- Medicaid utilization and inflation totals:
  - \$96.8 million GF in FY 2005 (13.7% growth)
  - \$85.9 million GF in FY 2006 (9.5% growth)
- Growth is due to:
  - Increasing enrollment (children, pregnant women and low-income adults)
  - Utilization of services such as managed care, hospital, pharmacy, physician and other services increases with enrollment growth
  - Medicare premium increases for individuals who are dually eligible for Medicare and Medicaid
  - Increased costs for privately provided mental illness services



# Virginia Health Care Trust Fund Revenue Shortfall

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- Decline in Medicaid revenue from the Virginia Health Care Trust Fund requires an additional:
  - \$6.2 million GF in FY 2005
  - \$20.7 million GF in FY 2006
- Revenue shortfall is due to:
  - 2-month delay in enactment of legislation creating the fund and implementing tobacco tax increases
  - Lower than estimated tobacco tax proceeds
  - Lower than anticipated Medicaid recoveries



# Health & Human Resources High Priority

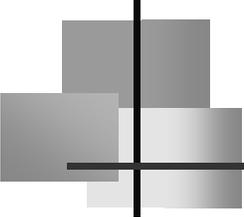
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- \$30.7 million to maintain existing services and meet federal requirements
  - OB/GYN Medicaid rate increase: \$16.6
    - Continues funding Governor's action effective Sept. 2004
  - Medications for mentally disabled individuals in communities and state facilities: \$6.9 million
  - Part C early intervention services for infants and toddlers: \$4.5 million
  - Required improvements to foster care and child welfare systems: \$2.7 million

# Health & Human Resources Policy Changes

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- \$15.6 million GF for policy changes
  - Assisted living facilities (Auxiliary Grant rate increase from \$894 to \$944 per month): \$4.5 million
  - Inpatient Hospitals (increase Medicaid payments from 75% to 76% of costs): \$3.6 million
  - Expand access to dental services (including 10% Medicaid rate increase): \$3.7 million
  - Expand FAMIS eligibility for pregnant women from 133% to 175% of the federal poverty level: \$3.3 million
  - MHMR facility nurse retention initiative: \$1.0 million



# Health & Human Resources Discretionary

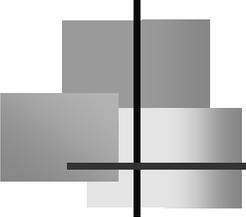
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- Service Expansions
  - Expand mental health crisis services: \$2.9 million
  - Expand children's mental health services: \$0.5 million
  - Expand Olmstead initiatives: \$0.8 million
  - Expand medication assistance programs: \$0.4 million
- Restorations
  - MHMR - Office of the Inspector General: \$0.5 million

# Health & Human Resources Savings

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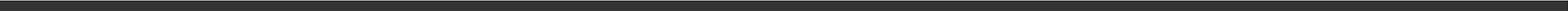
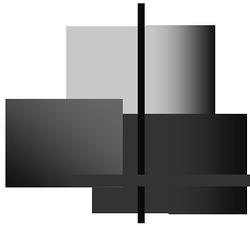
- \$36.9 million GF in savings
  - Medicaid disproportionate share hospital payment to VCUHS: \$20.0 million
    - One-time savings
  - Supplant GF to Community Services Boards with increases in Medicaid fees from a case management rate increase: \$16.9 million
    - Offset by \$9.3 million GF transferred to Medicaid to provide a rate increase for Medicaid services
    - Net savings is \$7.6 million GF



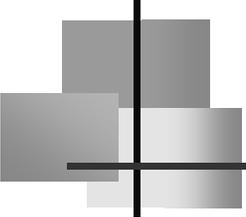
# Temporary Assistance to Needy Families (TANF) Spending Changes

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- Adds \$7.9 million in federal TANF from a high performance bonus for FY 2005
- Realigns \$7.5 million in TANF expenses in FY 2005 and \$18.3 million in TANF expenses in FY 2006 to provide added funding for cash assistance and day care assistance to meet caseload increases
  - Supplants \$2.0 million in FY 2005 and \$7.4 million in FY 2006 of TANF funding with GF for child day care subsidies and child day care licensing
- Restores \$3.9 million in TANF for a child support supplement in FY 2006 to continue the supplement at the FY 2005 level of \$7.8 million



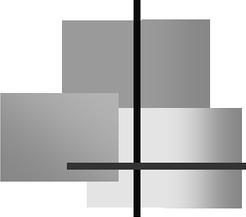
# Transportation



# Personal Property Tax Relief

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- Reimbursement at 70 percent rate
  - FY 2005 – anticipated reimbursement costs of \$911.1
    - Savings of \$36.7 million over Chapter 4
      - Caused by slower than anticipated growth in average new and used vehicle prices
    - Savings of \$21.0 million in carryover funding from FY 2004
  - FY 2006 – anticipated reimbursement costs of \$718.4 million for tax year 2005
    - Forecast reduced \$1.5 million

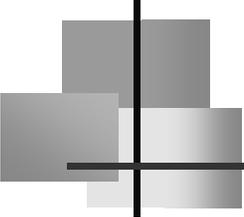


# Personal Property Tax Relief – Transition to Capped Program

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- Adds \$24.0 million in FY 2006 to cover anticipated increases in reimbursements for delinquent accounts
  - Localities expected to enhance collection efforts leading up to transition to new program
- Includes 5 language amendments to address concerns about transition to capped program in tax year 2006
  - Changes the “look-back” year on which future reimbursement shares are determined from tax year 2005 to tax year 2004
  - Establishes reimbursement schedule for TY 2006 payments to localities with spring billing dates – not later than August 15
    - This schedule ensures localities can book revenues as accounts payables when closing FY 2006 books
  - Sets September 1, 2006 deadline for tax year 2005 and prior year reimbursements
    - Limits state’s ongoing commitment to provide reimbursements for delinquent car tax payments
  - Provides local option of showing dollar amount of relief as opposed to showing multiple rates on bills
  - Allows for advance payment of TY 2006 reimbursements to towns with spring billing dates – thus making payments in FY 2006

# Transportation New Initiative



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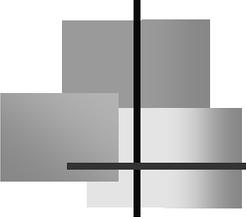
- Transportation Partnership Act of 2005 -- \$824.0 million total funding
  - \$373.6 million from GF for transportation
    - \$350.0 million one-time repayment
    - \$23.6 million of GF support to supplant NGF dollars transferred from VDOT – to be transferred to other agencies
  - \$450.4 million state and federal nongeneral funds available from revised forecasts
    - Includes carry-forward of FY 2004 revenues in excess of forecast
    - Adjustments to the FY 2005 and FY 2006 state and federal forecasts
- Major components of initiative outlined on following pages

# Components of Transportation Partnership Act of 2005

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- Private Partnership Revolving Fund -- \$140.0 million GF in FY 2005
- Mass Transit Capital funding -- \$80.0 million GF in FY 2005
- Rail Partnership Fund -- \$23.2 million from rental vehicle tax in FY 2006 – currently GF
- Local Partnership Fund -- \$40.0 million GF in FY 2005 and \$40.0 million NGF in FY 2006

# Components of Transportation Partnership Act of 2005



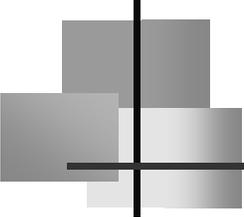
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- Pay off project deficits -- \$90.0 million GF in FY 2005 and \$166.4 million NGF in FY 2006
- \$10.2 million NGF in FY 2005 and \$136.8 million NGF in FY 2006 to formula allocations
- Use federal funds for maintenance -- \$97.4 million NGF in FY 2006
- Provide GF for NGF support for other state agencies -- \$23.6 million GF in FY 2006



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# **Commerce, Agriculture and Technology**

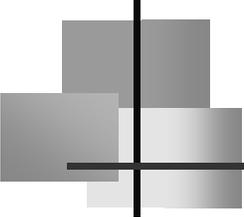


# Commerce & Trade

## New Initiative

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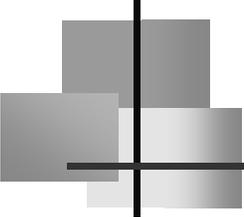
- Governor's economic development initiative "Virginia Works" – \$18.9 million GF
  - All but \$235,000 is in FY 2006
- Major components of initiative include:
  - \$5.0 million to support Virginia's artisan and crafts industries
    - \$4.0 million dedicated to the construction of two artisan centers – Valley and SW
  - \$4.0 million for 2 grants to regional workforce training consortia



# Commerce & Trade – Virginia Works (continued)

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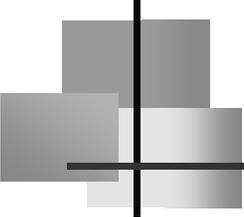
- \$4.0 million for DEQ's Brownfields program
  - \$2.0 million reserved for the demolition and redevelopment of abandoned industrial properties
- \$3.0 million for DCR's "Rails to Trails" program
  - Intended to fund 38 miles from Halifax to Lawrenceville
- \$1.4 million for small manufacturing and specialty agriculture initiatives
- \$0.8 million to support tourism efforts, including new trails programs
- \$0.7 million to finance establishment of community development bank and access federal new market tax credits



# Commerce & Trade Discretionary

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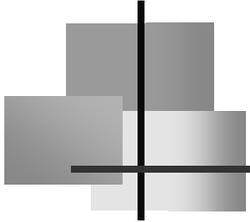
- Central Appropriations items
  - \$2.0 million GF increase in Governor's Opportunity Fund for FY 2005
    - Would bring total to \$14.0 million
  - \$2.0 million GF in FY 2006 for VCU's School of Engineering to meet commitment made to Infineon
  - Includes language authorizes Governor to use up to \$5.0 million from unappropriated balance for major economic development prospects
    - Includes language created a new Board, composed of gubernatorial and legislative appointees, which would approve projects



# Technology Discretionary

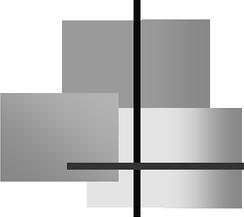
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- Virginia Information Technologies Agency (VITA)
  - \$6.1 million GF Treasury loan repayment for start-up costs
  - \$1.1 million GF in FY 2005 for data center lease cost increase
  - \$500,000 GF and \$1.0 million NGF in FY 2006 to update aerial maps for state GIS system
  - \$319,558 GF and 3 positions to expand project management office in FY 2006
- Center for Innovative Technology
  - Restore \$1.9 million operating support in FY 2006 (eliminated in Chapter 4)
  - Provide additional \$250,000 for VECTEC in FY 2006



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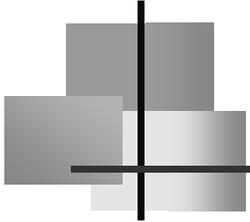
# **Employee Compensation & Benefits**



# Employee Compensation and Benefits Spending

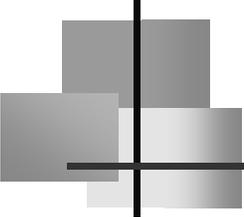
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- Employee Salary Increase - 3 percent Dec. 2005: \$107.8 million GF (\$81.2 million GF and \$26.6 million reserved in HB 5001, 2004 Session)
  - State employees: \$28.5 million
  - State-supported local employees: \$12.3 million
  - Higher education faculty: \$11.7 million
  - Local teachers: \$54.8 million
- State Employee Health Insurance Program: \$31.2 million GF
  - Funds 12.5 percent increase in premiums for employers
    - Employee premiums will increase at same rate
  - No changes to benefit structure



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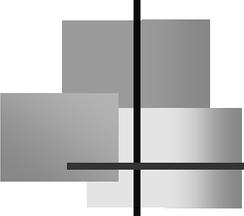
# Public Safety



# Public Safety Spending

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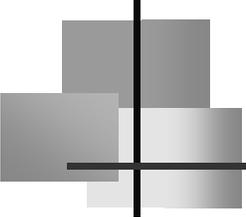
- New GF spending totaling \$14.2 million is recommended in HB 1500
  - Spending is offset by \$0.5 million GF in savings
- None of the new spending is one-time



# State Police and Criminal Justice Services Spending

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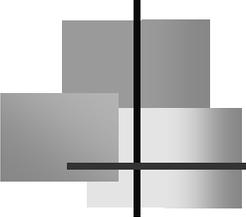
- Department of Criminal Justice Services: \$6.1 million GF
  - 599 program: \$4.2 million in FY 2006
  - Forensic science laboratory: \$1.5 million
    - Forensic laboratory staff: 17 positions
    - Mitochondrial DNA laboratory: 3 positions
    - Lease additional Norfolk laboratory space
- State Police: \$2.5 million GF
  - Gang-reduction program: \$1.0 million
    - 12 positions for statewide gang-related law enforcement efforts
  - Increased gas and oil costs: \$1.0 million
  - Staff new Fusion/Network Operations Center: \$0.5 million
    - 14 positions to provide continuous coverage and operations



# Corrections and Jail Spending

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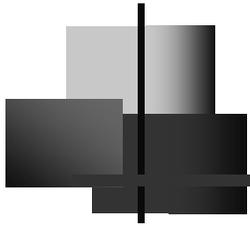
- Department of Corrections: \$1.9 million GF
  - Expand day reporting centers
    - Two new centers and expansion of existing program
  - Establish return to custody program
  - Establish environmental remediation program
  - Expand state inmate bed capacity
- Department of Juvenile Justice: \$1.3 million GF
  - Juvenile correctional center reorganization: \$1.2 million
- Sheriffs and Jails: \$1.6 million GF
  - Law enforcement deputies: 1:1,500 population: \$0.8 million
  - Sheriff career development/master deputy programs: \$0.7 million



# Other Public Safety Spending

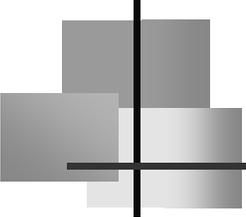
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- Dept. of Emergency Management: \$0.6 million GF
  - Six positions for new Emergency Operations Center
- Dept. of Correctional Education: \$0.6 million GF
  - Expand GED and vocational program training
- Department of Military Affairs: \$0.3 million GF
  - Match federal funding for Challenge program
  - Armory maintenance and repair



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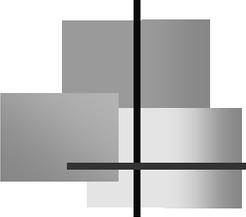
# Higher Education



# Higher Education Spending

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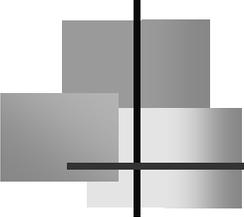
- New GF spending totaling \$53.2 million is recommended in HB 1500
  - This includes \$1.5 million in central accounts
- Almost 90 percent of new spending reflects ongoing commitments



# Higher Education Institutions

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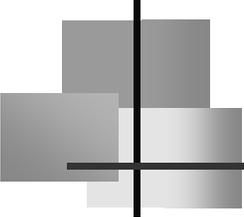
- \$15.9 million to address institution base operations and enrollment
  - \$12.2 million for enrollment growth
  - \$2.5 million for O & M for new facilities
  - \$1.2 million for No Va CC medical education campus
- \$11.7 million for 3 percent faculty salary increase in FY 2006



# Student Aid

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- \$12.9 million for student financial aid programs
  - \$6.7 million for undergraduate student financial aid
    - Maintain current level assuming tuition for in-state undergraduates will increase about 7.0 percent
  - \$2.4 million for graduate student financial aid
    - Allocation based on level of research expenditures
  - \$1.8 million for Tuition Assistance Grants (TAG)
    - Increases maximum award for Virginia students attending private colleges by \$100
  - \$2.0 million for military tuition waivers
    - Provides funding in FY 2006 to continue reimbursing institutions for tuition waivers on military spouses and dependents

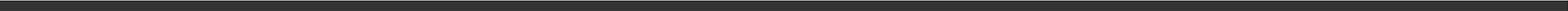
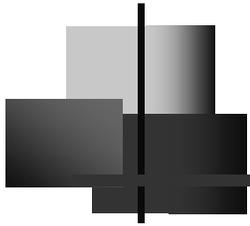


# Higher Education New Initiatives

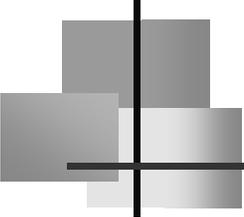
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- \$6.3 million is earmarked for new initiatives

	<u>\$ in millions</u>
Research supplements	\$2.5
Planning for southside university (central accounts)	1.5
VCCS technical training incentives for non-college bound students	1.1
Dual enrollment counselors (GMU, CWM, NVCC & TCC)	0.6
Other (Nanotechnology, Virginia Encyclopedia, Grace E. Harris Leadership Institute at VCU)	<u>0.6</u>
Total for New Initiatives	\$6.3



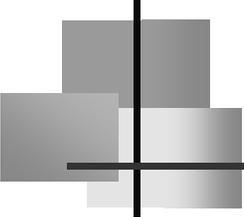
# Capital Outlay



# Cost Overruns and Capital Maintenance

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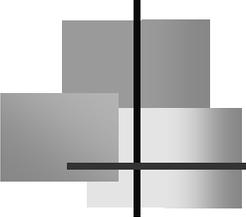
- Project Cost Overruns - \$69.3 million GF
  - \$25.0 million for the VCCS
  - \$15.5 million for state parks
  - \$28.8 million for remaining higher education and state agencies
- Capital maintenance reserve - \$45.4 million GF
  - \$40.1 for statewide maintenance reserve projects such as roof and major mechanical systems replacement
  - \$5.3 million maintenance reserve supplements for Norfolk State and Virginia State



# Equipment

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- \$31.6 million to equip projects scheduled to open in the upcoming biennium
  - \$26.7 million for higher education facilities
  - \$2.7 million for state parks
  - \$2.1 million for Museum of Natural History
  - \$0.1 million for forestry



# Other Capital Outlay

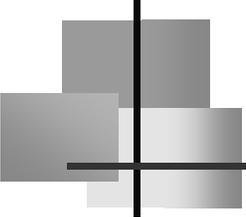
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- \$7.6 million to purchase the leasehold interest in Old City Hall
- \$3.7 million to supplement Kilbourne Hall at VMI
- \$8.9 million for new planning, renovations and construction projects
  - \$3.5 million in corrections to address environmental and safety issues
  - \$1.3 million to plan for new sexually violent predator facility
  - \$1.2 million to expand Norfolk forensic lab
  - \$0.9 million to plan for replacement of Hancock Geriatric Treatment Center



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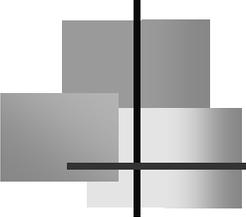
# Public Education



# Public Education

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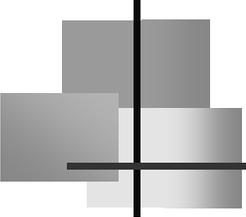
- HB 1500, as introduced, recommends new spending of \$127.6 million GF for public education
- Spending is offset by \$82.1 million GF in savings
- Majority of new spending would fund ongoing commitments



# Public Education – Technical Updates to SOQ

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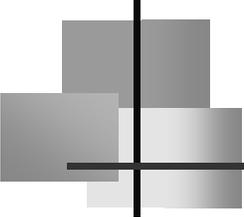
- Adjustment for additional net Lottery proceeds: \$35.2 million
  - FY 2005 \$19.8 million (includes FY 2004 carryover)
  - FY 2006 \$15.4 million
- Adjust additional net sales tax estimates: \$12.9 million
  - FY 2005 \$2.3 million
  - FY 2006 \$10.6 million
- Lower composite index for Allegheny school division: \$704,280
  - Consolidated with Clifton Forge



# Public Education High Priority

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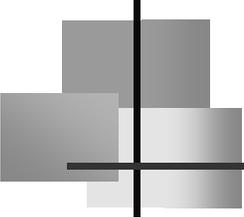
- Address shortfall in current budget in direct aid accounts: \$19.7 million
  - School coding, Special Education, ESL, and VRS rate
- Va. Schools for the Deaf, Blind and Multi-Disabled:
  - Adjust for energy costs at VSDB-Staunton: \$426,758
    - Due to closure of Staunton Correctional Center
  - Provide funding for VSDB planning/ site selection: \$198,200
- Additional academic reviews for schools  
“Accredited with Warning”: \$183,107 in FY 2006



# Teacher Compensation

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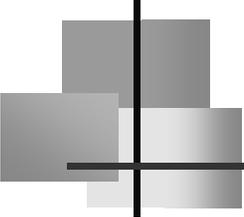
- Provides state share 3% salary increase: \$54.8 million in FY 2006
  - Effective December 1, 2005
  - Optional participation
  - School divisions shall provide matching local share of at least same salary adjustment



# Public Education Discretionary

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- Expand the “Race to GED” program: \$3.0 million in FY 2006
- Fund remainder of UVA contract for turnaround specialists and career planning software: \$1.2 million
- Expand PASS initiative to provide training to school board members: \$200,000 in FY 2006
- Support Va. Career Education Foundation: \$150,000 in FY 2006
- Increase Va. Adult Learning Resource Center funding: \$100,000 in FY 2006



# Public Education New Initiative

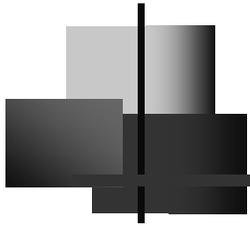
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- Begin state supported breakfast program: \$1.6 million in FY 2006
  - Reimbursement based on 5 cents per meal
  - Leverage available federal funds per meal
    - \$0.23 cents – regular
    - \$0.93 cents – reduced
    - \$1.23 cents – free
  - Encouragement for additional participation
    - Currently 1/3 of the schools serve breakfast

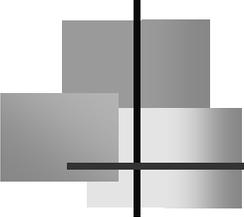
# Public Education Savings

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- Lower student average daily membership (ADM) growth: (\$61.3) million
  - FY 2005: 7,859 fewer students in ADM
  - FY 2006: 10,738 fewer students in ADM
- Adjust incentive-based & categorical accounts: (\$18.2) million
  - Remedial Summer School (\$3.6) million
  - ESL (\$0.9) million
  - At-Risk Four Year Olds (\$19.0) million
  - Early Reading (\$0.5) million
  - Algebra Readiness (\$0.1) million
  - Governor's Schools (\$0.5) million
  - Special Education \$6.4 million
- Lower division participation in Teacher Mentor and delayed implementation of Virginia Corps program: (\$2.0) million



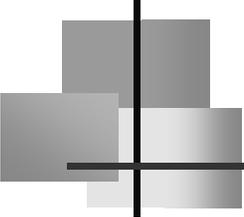
# General Government



# General Government Governor's Office

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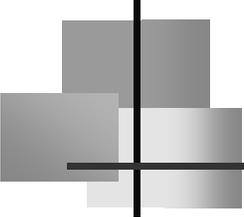
- Includes \$678,753 in FY 2005, \$3.1 million in FY 2006, and additional positions for the Governor's Office and Cabinet
  - FY 2005 amount equals, on average, one month's operating expenses for these agencies
- Funding for operating expenses proposed because of new Appropriation Act language adopted by 2004 Session preventing future fund transfers between agencies
  - Previously, the Governor's Office and Cabinet had relied upon transfers from within these agencies or from other agencies to finance their operations
  - Governor proposed revisions to this new language that were not adopted by the General Assembly



# General Government: Judiciary and Constitutional Officer Spending

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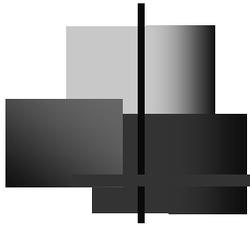
- Judicial Department
  - Includes \$5.4 million in FY 2005 for the Criminal Fund
  - Provides \$1.5 million in FY 2006 for additional law clerks for the Supreme Court and Court of Appeals
  - Adds \$679,814 each year for the Involuntary Mental Commitment Fund
- Commonwealth's Attorneys
  - Adds \$1.3 million in FY 2006 for 36 new attorney and support staff positions, representing the first installment of a six-year plan to fully staff these constitutional offices
  - Includes \$243,756 in FY 2006 to convert part-time offices located in Dinwiddie, Greene, and King William counties to full-time status
    - Includes differential between part-time and full-time officer's salary and secretarial position costs



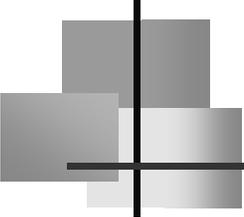
# General Government: Finance Secretariat Spending

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- School Efficiency Reviews
  - Includes \$1.4 million in FY 2006 to continue studying the efficiency of local school divisions' administrative functions
- Additional Positions for Finance Agencies
  - Adds \$388,964 in FY 2006 to increase staffing for the Department of Accounts' payroll services and auditing functions
  - Includes \$157,500 in FY 2006 for three budget analysts for the Department of Planning and Budget
  - Provides \$33,295 in FY 2006 for an additional internal audit position at the Department of the Treasury
- Implementation of Tax Changes
  - Provides \$1.0 million in FY 2005 and \$1.3 million in FY 2006 for computer system modifications and auditors to implement the tax changes enacted last session



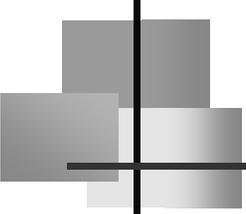
# Natural Resources



# Natural Resources Spending

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- Water Quality Improvement Fund
  - Includes \$16.2 million in FY 2006 for the Department of Conservation and Recreation to address non-point pollution from farms, land development, and storm water runoff
  - Provides \$16.2 million in FY 2006 for the Department of Environmental Quality to address wastewater treatment plant pollution
- Support for State Parks and Natural Areas
  - Adds \$2.7 million in FY 2006 for additional staff to operate park projects coming on-line this biennium and to begin repairing state park dams
  - Adds \$200,000 in FY 2006 to improve public access and wildlife management of natural area preserves
- Litter Control and Recycling Fund
  - Provides \$1.3 million in FY 2005 to repay treasury loan authorized last session to continue local grant payments



# Natural Resources Spending

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- Water Supply Planning
  - Adds \$701,510 in FY 2006 for technical and financial assistance to localities for the development of water supply plans and groundwater research
- Marine Police Officers
  - Includes \$300,000 in FY 2006 to fund five of ten positions originally to have been supported by nongeneral fund revenue
- Museum of Natural History
  - Provides \$489,938 in FY 2006 for utilities and staff for the new museum facility