

House Appropriations Committee

**Explanation of Substitute to
House Bill 5032**



House Bill 5032

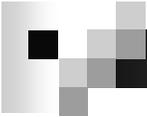
Public Education

- The introduced bill:
 - Adjusts sales tax distributions to school divisions and backfills the state's 55% share, on average, to SOQ and Incentive accounts
 - Provides a hold harmless provision payment to school divisions in the first year that offsets the local required share
 - Includes language authorizing the Comptroller to adjust the hold harmless sales tax payment in the event that actual collections exceed the estimated amount provided for in the appropriation act
 - Prevents the state from paying more than is necessary to hold localities harmless from the original sales tax error

Public Education: Direct Aid

House Bill 5032, as Introduced

	Chapter 3 FY2007	Chapter 3 FY2008	Revised FY2007	Revised FY2008	Variance FY2007	Variance FY2008
Sales Tax	1,266,460,000	1,336,490,000	1,129,300,000	1,185,000,000	(137,160,000)	(151,490,000)
Basic Aid	2,640,297,191	2,647,385,004	2,717,389,649	2,732,531,811	77,092,458	85,146,807
Enrollment Loss	7,757,404	7,945,316	7,977,424	8,202,666	220,020	257,350
Supplemental Basic Aid	530,783	528,746	541,184	540,235	10,401	11,489
Hold Harmless Payment	0	0	59,837,121	0	59,837,121	0



House Bill 5032 (Substitute)

Public Education

Substitute bill:

- Reflects adjustments to sales tax distribution - FY 2007 and FY 2008 sales tax estimates adjusted upward by \$7.3 million GF and \$7.6 million GF respectively, which reflect changes to FY 2006 sales tax base
 - FY 2006 sales tax estimate was adjusted in Chapter 2 (caboose budget)
 - Impact of sales tax holiday adopted in 2006 Session
- Reduces the basic aid, enrollment loss, and hold harmless accounts based on the higher adjusted sales tax distribution
- Dedicates excess FY 2006 lottery profits of \$4.9 million GF to fund a portion of the state's hold harmless payment

Public Education: Direct Aid

House Bill 5032 (Substitute)

	HB 5032 FY2007	HB 5032 FY2008	Revised Substitute FY2007	Revised Substitute FY2008	Substitute Variance FY2007	Substitute Variance FY2008
Sales Tax	1,129,300,000	1,185,000,000	1,136,600,000	1,192,600,000	7,300,000	7,600,000
Basic Aid	2,717,389,649	2,732,531,811	2,713,286,597	2,728,260,144	(4,103,052)	(4,271,667)
Enrollment Loss	7,977,424	8,202,666	7,965,964	8,190,249	(11,460)	(12,417)
Supplemental Basic Aid	541,184	540,235	540,631	539,658	(553)	(577)
Hold Harmless Payment	59,837,121	0	51,699,556	0	(8,137,565)	0
FY2006 Excess Lottery Profits	0	0	4,952,630	0	4,952,630	0



Public Education: Direct Aid

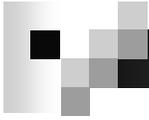
House Bill 5032 (Substitute)

- Recommend changing the September 1 due date for school divisions to submit the required local effort report to DOE for the school facilities and incentive initiatives that divisions elect to participate
 - FY 2007 to November 1
 - FY 2008 to October 1
- Part 4 - change the effective date of the Appropriations Act from July 1, 2006 to date of passage as provided in §1-12c, Code of Virginia

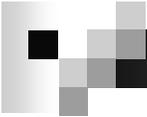


House Bill 5032 (Substitute) Public Education

- Two revenue adjustments to the front page:
 - Additional sales tax revenue dedicated to public education
 - Excess lottery profits from FY 2006
- Net impact of all actions results in an unappropriated balance of \$113.1 million GF
 - Chapter 3 unappropriated balance totaled \$30.5 million GF



Technical Amendments to HB 5032 (Substitute)



Technical Amendment to HB 5032: Legislative Agency Head Salaries

- The first amendment seeks to eliminate confusion about the Commission on the Virginia Alcohol Safety Action Program's authority to establish the executive director's salary
 - Currently, the Code of Virginia authorizes the commission to fix this position's salary
 - However, the Appropriation Act also establishes a salary for the position
 - The commission approved salary exceeds the salary in the Appropriation Act
 - Without the amendment, the executive director's salary must be reduced to the Appropriation Act's level
 - Legislative agency head salaries that do not appear in the Appropriation Act can be increased or decreased by the responsible legislative commission or committee

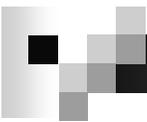
- The second amendment seeks to establish a salary range for the Chief of the Capitol Police
 - The proposed salary range is based upon the salaries of the police chiefs serving Virginia's public institutions of higher education
 - Salary data collected from CWM, GMU, JMU, ODU, and VCU
 - Range would be \$80,000 to \$100,000
 - Position's current salary is \$94,553
 - Establishing a salary range may be necessary to assist the General Assembly in attracting high caliber candidates to fill this position, which is currently vacant



Higher Education Research in Chapter 3

- The General Assembly adopted a research initiative that addressed four key components:
 - New and expanded facilities in capital outlay
 - Sustained investment to retain and recruit top-flight faculty
 - Financial assistance to graduate students to support faculty
 - New, state-of-the-art equipment

- Through amendments to the introduced budget, the General Assembly provided:
 - \$76.2 million GF primarily focused at Virginia's doctoral research institutions with funding provided in both years as opposed to one-time
 - \$33.5 million of additional allocations from the equipment trust fund for research equipment
 - Assessment and accountability reporting requirements are included for each institution



Technical Amendment to House Bill 5032 (Substitute)

- In amending the budget bill, language was inadvertently left in Part III of the budget dealing with interest earnings on research balances
 - These monies accrue to the general fund and were allocated as part of the legislative research package in Chapter 3
 - Similar language was eliminated in operating section of the budget
 - State Comptroller needs clarification on legislative intent

- The amendment strikes the following language:

“§3-4.02 SPONSORED PROGRAM INVESTMENT YIELDS

Interest on extramural contracts and grants and indirect cost recoveries shall be regarded as nongeneral fund revenue. The State Comptroller shall credit public institutions of higher education quarterly with the interest earned by the investment of the funds of their sponsored programs and indirect cost recoveries.”