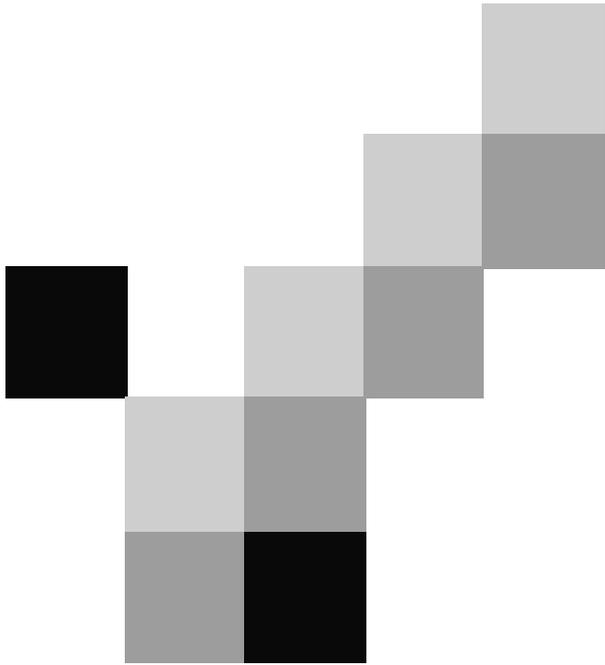


# **House Appropriations Committee**

**Funding Recommendations Proposed for the  
2006-08 Budget  
(House Bill 5002, as introduced)**



**Transportation**



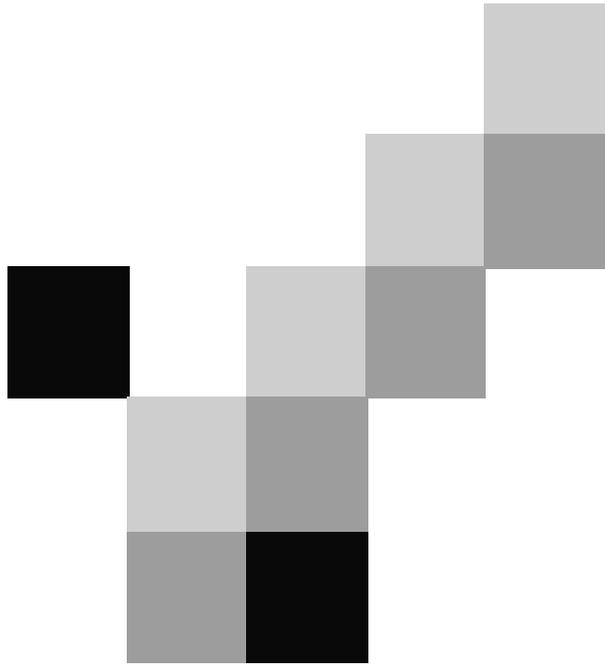
# Transportation Reserve Fund

- HB 5002 includes an amendment in Central Appropriations (463.10 #1h) containing the GF amounts of the House Transportation Package
- Sets aside \$1.03 billion in General Fund resources for transportation over the biennium
  - Identical to the new GF amounts provided for transportation in HB 30
  - Excludes new NGF abuser fee revenues – to be addressed in legislation
- Revenues would be appropriated during the existing or subsequent Special Session of the General Assembly
- Follows in structure of transportation package contained in House Bill 30 as adopted by the Committee



# Transportation Reserve Fund

- Expedite previously identified critical projects
  - Commit one-time general fund revenues to one-time capital construction and improvements
  - Intent would be for project list to be multimodal, addressing transit and rail needs as well as highway improvements
  - Achieve completion of key phases of projects and complements funding in SYIP
- Provide funding for new Hampton Roads and Northern Virginia Investment Funds
- Pay debt service on 2003 FRANs
  - \$37.4 million each year
  - General Assembly commitment through 2013
- Deposit 1/3 of insurance premiums for transportation
  - \$138.8 million in FY 2007 and \$146.7 million in FY 2008
- Includes an additional \$70 million from existing recordation tax revenues (\$30 million in FY 2007 and \$40 million FY 2008) for transportation
  - Ongoing dedication would be addressed in separate legislation

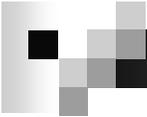


# **Commerce, Agriculture and Natural Resources**



# Agriculture and Forestry

- Provides a total of \$9.4 million in additional general fund appropriations over the base budget, including \$5.0 million in addition to amounts proposed in House Bill 5002 as introduced
- Major new funding items include:
  - Virginia Horse Center - \$4.5 million in the first year to complete the Commonwealth's commitment to the Virginia Horse Center
  - Reforestation of Timberlands – total of \$700,000 in additional funding for the biennium, bringing total state match to industry contributions to \$1.1 million each year
  - Animal health positions – total of \$568,000 over the biennium to increase salaries for veterinarians and hire additional staff to safeguard animal health
  - Poultry Indemnification – Includes language in Central Appropriations authorizing use of up to \$1.5 million of the unappropriated balance
  - Forestry Water Quality Team - \$1.2 million over the biennium to hire 8 additional state foresters to oversee implementation of water quality laws
  - Fire Protection Equipment - \$1.2 million over the biennium to fund the Department of Forestry's master equipment lease purchase of fire fighting equipment



# Commerce and Trade

- Recommended amendments provide a total of \$16.9 million in additional general fund appropriations over the base budget
- Major new funding items include:
  - Capitalize Virginia Small Business Financing Authority Programs - provides \$2.5 million in the first year to recapitalize the small business assistance programs managed by the VSBFA
  - Workforce Services – Increases annual appropriation for these training grants by \$250,000 each year, bringing total program funding to \$8.2 million annually
  - Mining Inspectors and DMME operations – provides \$2.5 million over biennium to support additional mining inspectors and support the Department of Mines, Minerals and Energy’s ongoing costs
  - Biofuels Incentives – Authorization in the Department of Mines, Minerals and Energy to use up to \$1.5 million of the unappropriated balance to incentivize large-scale manufacturers of biofuels to locate to Virginia
  - \$5.0 million to support the development of a biotech wet lab shell building in the greater Roanoke area (Central Appropriations)
  - \$2.0 million to attract a research-related entity to the I-81 corridor (Central Appropriations authorization to use unappropriated balance)
  - \$1.0 million to support a state and local public-private partnership to develop a training center in conjunction with Volvo Trucks in Dublin
  - Market the commemoration of Jamestown 2007 - provides \$2.5 million in the first year and \$1.25 million in the second year
  - Regional Tourism Grants – Increases to \$600,000 each year the regional tourism grant program begun last year pursuant to provisions in the House budget



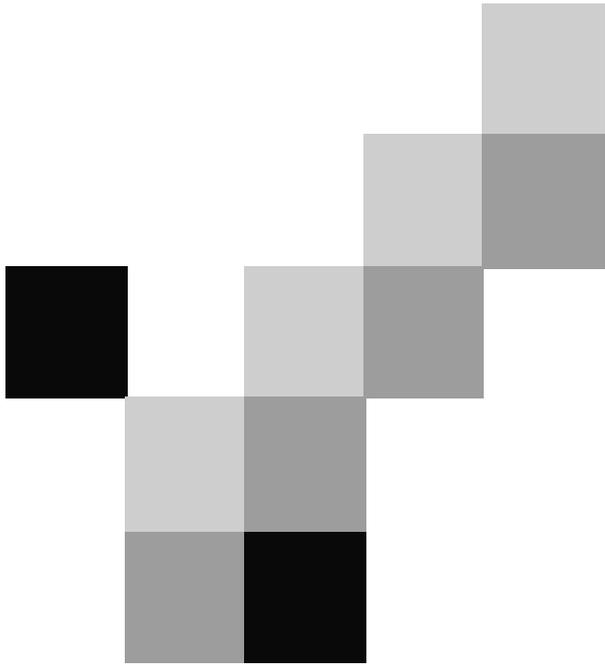
# Funding Reductions and Elimination of New Initiatives

- New initiatives totaling \$6.7 million for biennium were not funded or were reduced:
  - Alleghany Initiative (\$1.0 million)
  - Creation of Regional Research Centers (\$2.5 million)
  - Broadband feasibility and access (\$3.2 million reduction)
- Governor's Opportunity Fund – redirects \$9.5 million of proposed FY 2007 appropriation
  - \$11.5 million in new funding remaining for first year
  - Current balance of approximately \$12.0 million will be carried forward
  - FY 2006 appropriation level was \$9.0 million
- Economic contingency – reduces by \$1.0 million each year amounts available to Governor for unforeseen circumstances

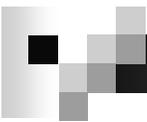


# Natural Resources

- Continued Commitment to Chesapeake Bay Restoration
  - \$200 million provided for wastewater treatment plant improvements
    - Largest single deposit to Water Quality Improvement Fund
- Additional funding for state parks: \$3.2 million
  - Provides 21 positions and wage staff for parks expanded by 2002 general obligation bonds
- Deposit to new dam safety fund: \$800,000
  - Provides grants and loans to localities and loans to private dam owners
- Grants for wastewater improvements in Southern Rivers region: Eliminate \$25 million
  - \$16 million in nonpoint source pollution control funds must be spent outside Chesapeake Bay region
- Grants for combined sewer overflow projects: Eliminate \$7.5 million
  - Cities involved eligible for WQIF wastewater treatment plant funding
- Rails to Trails program funding: Eliminate \$950,000
  - This funding did not provide for connections to previous purchases
- Solid waste oversight: \$1.1 million reduction
  - Additional fees for solid waste management were approved in 2004 Session

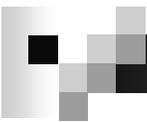


# Capital Outlay



# Cost Overruns, Capital Maintenance and Equipment

- Project Cost Overruns - \$119.4 million GF
  - \$105.1 million GF in higher education
  - Funds inflationary cost increases through FY 2007
- Capital Maintenance Reserve
  - \$150.0 million GF to address major mechanical system repairs and replacement
    - Includes a \$16.0 million supplement for Norfolk State and Virginia State
- Equipment
  - \$33.5 million GF to equip projects scheduled to open in the upcoming biennium



# General Fund for High Priority Projects

- Replace Western State Hospital - \$80.5 million
- \$10 million to plan the replacement of the Central Virginia and Southeastern Virginia Training Centers
- Heating / Power Plant Upgrades - \$38.1 million
- VMI Barracks - \$26.9 million
- Expand GMU Fine Arts - \$6.3 million
- Radford Academic Buildings - \$10.5 million
- Acquisition of Rockingham Hospital at JMU - \$24 million
- Acquire Williamsburg Community Hospital for new School of Education at William and Mary - \$6 million
  - \$1.9 million to plan the renovation is also provided to the College



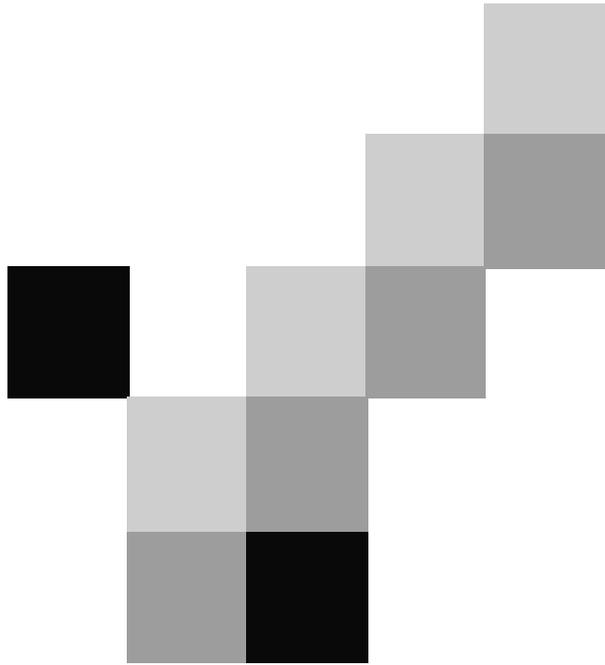
# Use of Debt

- Introduced budget included \$341 million of tax-supported debt
  - \$291 million for mental health projects
  - \$50 million for undesignated research projects
- Capital outlay recommendations total \$339 million in debt
  - Authorize the replacement of Eastern State Hospital under a PPEA - \$59.7 million
  - Remove \$231.3 million debt financing for remaining mental health as proposed in the introduced and fund with cash
    - Western State Hospital and planning for two training centers
  - Shift higher education and state parks projects to Part V - \$279.3 million
    - Higher education projects justified under SCHEV space guidelines
    - State parks projects complete approved master plan



# Capital Outlay Summary

- Savings from shifting higher education and parks projects to bond financing - \$237.3 million
- Savings from project reduction and eliminations - \$185.4 million
- Savings from shifting projects to NGF - \$35.8 million
- New spending to address House priorities - \$133.3 million
- Total debt is slightly less than the amount authorized in the introduced budget
- Net savings - \$325.2 million to be redirected to transportation



# Higher Education



# Higher Education

- Provides a biennial increase for colleges and universities over the adjusted operating base budget of about \$447.0 million or about a 16.3 percent increase
  - Focused on base operating needs, financial aid, and research
  
- Recommendations reflect application of legislative funding guidelines
  - Bring all institutions to at least 90 percent of their guideline
  - Fully funds enrollment growth
  - Provide an allocation of increased cost of utilities, new facilities, other operating costs



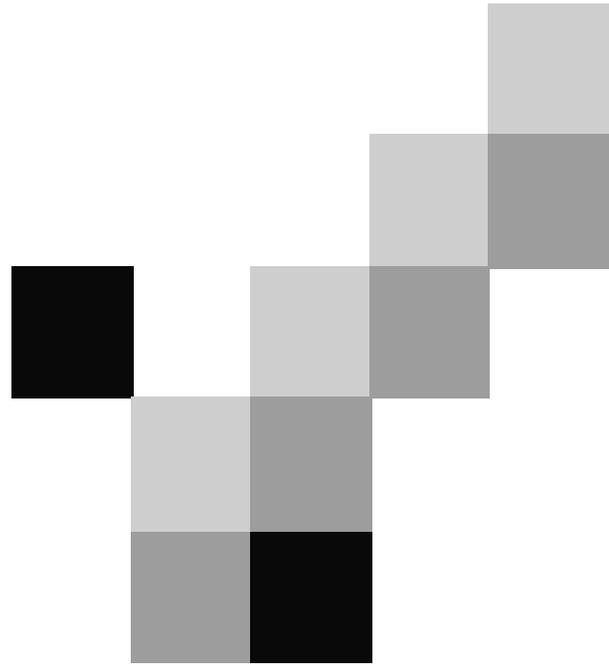
# Higher Education Institutions

- \$217.4 million GF for public colleges and universities focused on base operating costs and enrollment growth including cost increases for utilities and new facilities
- \$39.0 million for financial aid for undergraduates at public and private institutions
  - \$21.7 for undergraduate financial aid for students at public institutions an increase of almost 13 percent
  - \$17.3 million for TAG to increase the award for undergraduate students to \$2,750 in FY 2007 and \$3,100 in FY 2008 using SCHEV's enrollment projections
- \$86.0 million GF and \$68.7 million of equipment trust fund allocations to support research package
  - Involve all Virginia doctoral research institutions
  - Balance the funding between fiscal years to provide on-going support to achieve research goals
  - Includes assessment and accountability requirements

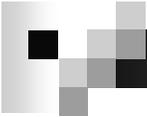


# Other Major Higher Education

- \$45.5 million to provide a four percent average faculty salary increase in FY 2007
  - Increase ranges from about 2.6 percent to about 4.4 percent
  - Central accounts includes a two percent FY 2008 faculty salary increase
- \$3.0 million to implement a public-private partnership to address the nursing shortage
- \$1.0 million to provide additional extension agents and research specialists throughout the Commonwealth to support extension and education efforts
- \$2.5 million to provide higher education opportunities in the Martinsville area
  - Creates a Visiting Faculty program with UVA, Longwood and Radford to deliver computer science, teacher education and nursing programs
- \$2.1 million in health related initiatives at Virginia Commonwealth University for geriatric education, autism centers, Alzheimer's research and palliative care
- \$4.2 million for education programs, promotions, and staff to accommodate increased visitation and support revenue-generating activities at Jamestown

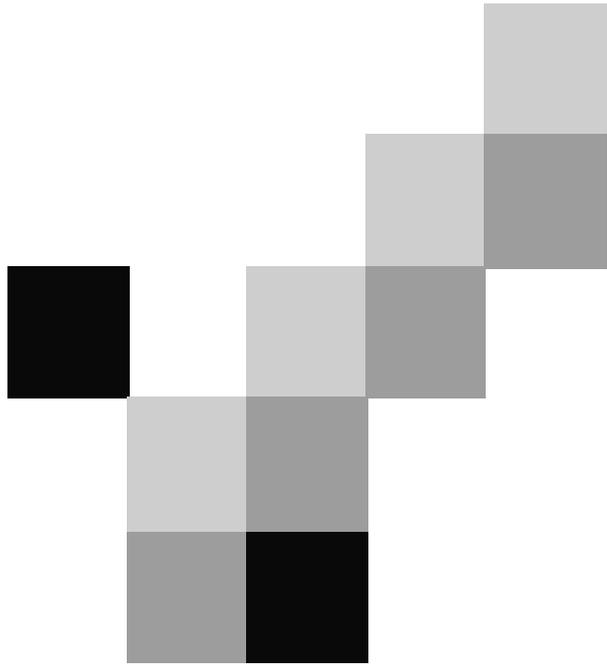


# Compensation and Retirement



# Employee Compensation and Benefit Increases

- First year state employee and state-supported local employee salary increase: \$198.2 million GF
  - State employees (4% ): 11/25/2006
    - Additional 0.5 percent for agency pay practices
  - State-supported local employees (4%): 12/1/2006
- Provide 2<sup>nd</sup> year salary reserve of \$41.0 million
  - State employees, faculty, and state-supported local employees
- Increase mileage rate for state employees using personal vehicle
  - 32.5 cents to 44.5 cents: \$2.6 million
- House Bill 59: State Employee Retiree Health Credit (remove cap): \$1.9 million



# Public Safety



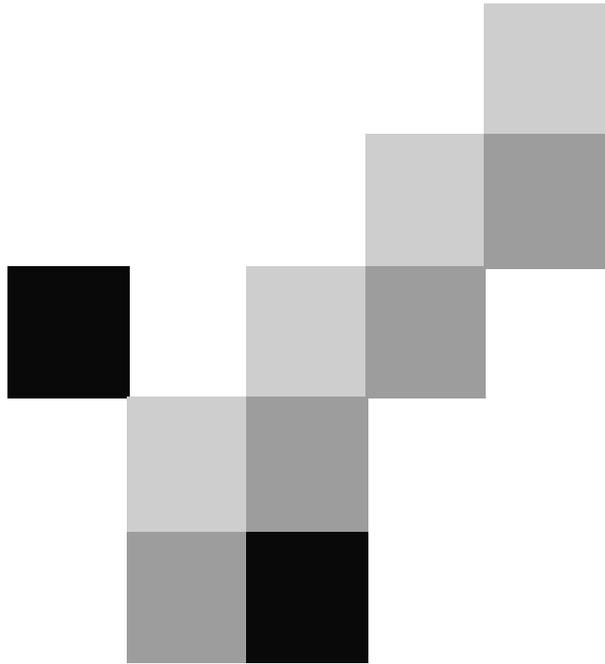
# Sex Offender Confinement, Registration, and Monitoring

- **State Police: \$10.4 million GF**
  - 50 troopers to verify sex offender registry information and investigate violations
  - 6 administrative and 2 technology staff for registry registration process and website
  
- **Department of Corrections: \$9.3 million GF**
  - 24 Probation & Parole Officers: monitor sex offenders and utilize GPS technology
  - 2 psychologists to administer STATIC-99
  - Corrections Reserve Special Fund
  
- **Compensation Board: \$0.5 million GF**
  - Victim notification matching grant

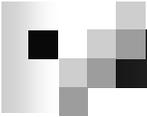


# Other Public Safety

- \$88.1 million GF to operate the new/expanded facilities in 2006-08
- Deputies for new/expanded jails and 1:1,500 population standard: \$7.5 million GF
- State Police: \$16.7 million GF
  - 70 trooper positions: \$9.8 million
  - Replace information systems: \$5.8 million
  - I-81 enforcement overtime: \$0.5 million
- Base Realignment and Closure Assistance: \$25.5 million GF
  - Designates \$15.0 million for NAS Oceana requirements (House Bill 975)
  - \$10.0 million for matching grants
- Criminal Justice Services
  - HB 599 program: \$33.7 million
  - Pre-and post incarceration services: \$2.4 million
  - Local community corrections/pretrial programs: \$2.1 million
  - Campus security assistance/standards \$0.4 million

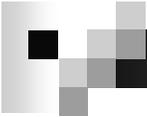


# Health and Human Resources



# HB 5002: Health & Human Resources

- **\$690.9 million GF additional mandatory spending**
  - Medicaid utilization and inflation, Medicare Part D impact, CSA, Adoption subsidies, MHMR pharmacy, TANF shortfall, VIEW day care, children's health insurance, MHMR facility revenue shortfall
  
- **\$125.9 million GF for MHMRSAS restructuring**
  - 324 new MR waiver slots in community
  - 149 new MR waiver slots for facility discharges
  - Increase in MR Waiver rates-10% for congregate living, 5% for other waiver services
  - MH facility discharge assistance & diversion funds for ESH, WSH and NVMHI catchment areas
  - Regional community MH funding & capacity building
  - Expansion of crisis stabilization services
  - Expansion of children's MH services
  
- **\$14.4 million GF for sexually violent predator program**
  - Provides for facility operating costs to house and treat additional SVPs based on new legislation, clinical evaluations and court testimony, conditional release services (including treatment), and Global Positioning System monitoring



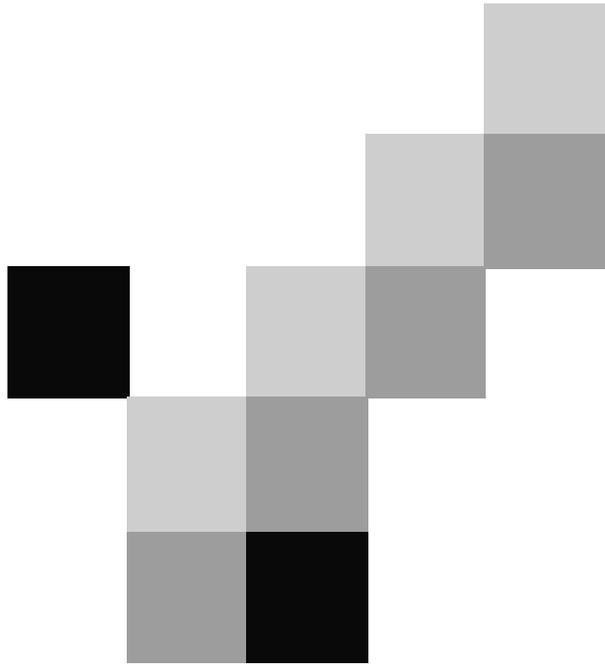
# Health Care Provider Reimbursement

- \$45.8 million GF for provider payment increases
  - Hospital trauma centers: \$15.9 million
  - Medicaid nursing home payment changes: \$7.9 million
  - Medicaid pediatric services 5% increase : \$7.9 million (7/1/06)
  - Medicaid physician services 3% increase: \$6.9 million (7/1/07)
  - Medicaid personal care rate increase: \$4.3 million (7/1/07)
  - Medicaid skilled nursing rate increase: \$1.5 million (7/1/06)
- \$34.2 million GF in program support
  - Drinking water construction projects: \$7.2 million
  - Breast and cervical cancer screening and treatment: \$2.2 million
  - Increase personal maintenance allowance for Medicaid waiver services: \$2.1 million
  - Brain injury community services: \$1.8 million
  - Other: \$7.8 million
- \$12.3 million GF in other programs
  - Early Childhood Foundation: \$2.0 million
  - Local health department grants for interpreter services: \$0.3 million
  - Virginia Cord Blood Bank (HB 413): \$0.5 million
  - DSS computer charges for eligibility determinations: \$6.9 million
  - Replace food service units in MHMR facilities: \$2.6 million



# Savings, Funding Reductions and Elimination of New Initiatives

- **\$58.7 million GF in savings**
  - Reduce “clawback” payment for Medicare Part D: \$32.2 million
  - DMAS/DMHMRSAS – Facility savings from restructuring initiatives : \$21.6 million
  - DMAS – Prior authorization contract savings: \$2.4 million
  - DMAS – Specialty drug program: \$1.4 million
  - DMAS – Outsource compliance audits: \$1.1 million
- **Defer new programs**
  - Electronic Health Records- \$6.8 million
  - Child obesity pilot in S.W. Virginia - \$404,200
- **Reduce initiatives**
  - Drinking water construction - \$2.8 million
  - Early Childhood Foundation - \$6.6 million
- **Redirect funding**
  - Hospital Payment Adjustment Factor - \$15.9 million
  - Brain Injury Services for S.W. Virginia - \$570,000
- **Eliminate earmarked funding**
  - Greater Richmond ARC - \$750,000
  - Olmstead Advisory Committee - \$466,796
  - St. Mary’s Health Wagon - \$200,000
  - Celebrating Special Children” - \$100,000
- **Replace GF with federal funds**
  - Community Action Agencies - \$1.0 million



# **Elementary and Secondary Education**



# HB 5002: Public Education Total Spending

GF \$ in millions

Direct Aid Re-benchmarking costs	\$1,189.6
Teacher 3% Raise	160.0
VRS, Group Life, RHCC rate changes	181.7
Program Support	7.5
Budget Savings	(44.7)
Department of Education	<u>2.0</u>
Total	\$1,496.4



# Teacher Raise and RHCC

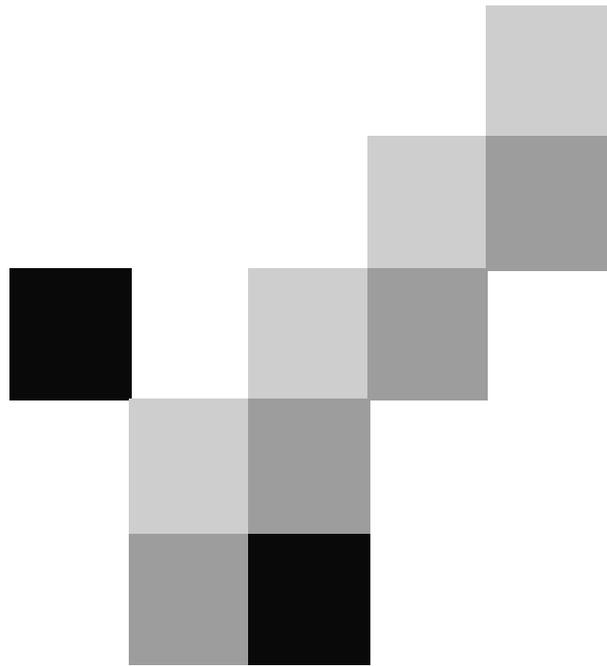
- State's share of a 3% salary increase for all instructional and support SOQ positions: January 1, 2007 - \$160.0 million GF
  - Incentive-based funds – optional participation
    - Locality determines what salary increase will be provided
    - Total increases reflected in future re-benchmarking
  
- \$15.8 million set aside to fund increased retiree health care credit (RHCC) (from \$2.50 per month up to \$4.00 per month for every year of creditable service)
  - Will require stand-alone legislation to implement



# Budget Savings in Direct Aid

Technical updates:

- Lottery revenue estimates based on the impact of North Carolina – (\$12.2) million GF
- Incentive-based programs for anticipated non-participation – (\$26.7) million GF
- Remove the cap on the federal revenue deduction over a four year period – (\$5.8) million GF



# **General Government and Technology**



# Improving Virginia's Legal System

- \$28.4 million recommended to improve access to legal assistance
  - Criminal fund caseload growth: \$18.6 million
  - General court-appointed attorney compensation increase: \$2.8 million
  - Additional compensation for cases involving prison terms of 20 years or more: \$2.6 million
  - Additional public defenders: \$2.3 million
- \$7.7 million GF and \$12.3 NGF recommended to improve the operations and efficiency of the court system
  - Court Technology Fund: \$12.3 million NGF
    - Based on limited fee increases for civil court filings
  - Additional circuit court and district court judgeships: \$4.4 million
  - Additional 30 positions for district court personnel: \$2.5 million



# Other Actions – General Government

- Spending Actions:
  - \$3.9 million GF and \$976,511 NGF for Attorney General
    - Additional staffing: \$3.4 million GF and \$976,511 NGF
  - Add 60 positions for Commonwealth's Attorneys: \$3.6 million
  - Fund additional veterans claims personnel: \$577,256
  - Fund advertising for Constitutional amendments: \$332,000
  - Virginia Base Mapping Project: \$1.2 million
    - Provides aerial photographic map of Virginia
- Savings Actions:
  - Reduce proposed funding for Enterprise Applications project by \$12.5 million
  - Level funding constitutional officers: \$6.8 million
    - Excludes Commonwealth's Attorneys and Sheriffs
  - Reduce funding for Council on Virginia's Future: \$1.5 million