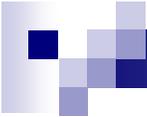


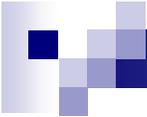
House Appropriations Committee

**Funding Recommendations Proposed by the
Subcommittees for the
2004-2006 Budget (House Bill 29, as introduced)
and
for the 2006-08 Budget
(House Bill 30, as introduced)**



FY 2006 Revenue Forecast

- General fund tax collections in FY 2006 are projected to exceed last year's forecast by \$1,391.3 million
 - Represents 7.0 percent growth over FY 2005 levels
 - Reflects additional revenue adjustments from Governor Kaine -- \$216.0 million
 - Corporate adjustment in January - \$53.0 million
 - Mid-Session forecast - \$163.0 million
- Mid-Session forecast reflects stronger corporate tax collections, nonwithholding payments, and lower refunds
 - Offsetting these increases are weaker than anticipated withholding taxes and an expectation that recordation taxes will flatten out over the rest of the fiscal year
 - Overall, the mid-Session revisions did not impact the baseline growth rates
- About 90 percent of the FY 2006 forecast revisions reflect adjustments to the 3 sources which have grown most dramatically over the past few years:
 - Nonwithholding - \$665.9 million increase
 - Corporate - \$343.2 million increase
 - Recordation - \$239.2 million increase



Revenue Outlook 2006-2008

- General Fund revenue forecast assumes economic growth rates of 6.0 percent in FY 2007 and 5.3 percent in FY 2008
 - Forecast assumes that major economic factors – jobs, personal income, and wage and salary growth – will be around long-term trend levels for expansion period
 - The outlook suggest that withholding and sales tax growth should perform in the 6.0% range
 - Represents approximately 80 percent of gross general fund revenues
 - Sales tax collections expected to fall in line with personal income
 - Cash-out refinancing has slowed down
 - Construction still strong – building materials and supplies
 - Tourism-related sales expected to be strong
 - What impact will energy prices have on sales?



Revenue Outlook 2006-2008

- Recordation tax forecast reflects a decline due to rising interest rates and softening of price appreciation that has been seen in recent years
 - Mid-session forecast further reduced estimate
- Corporate taxes - while FY 2007 was adjusted slightly upward in the Mid-Session forecast, they are still expected to flatten due to increased business spending and higher energy costs
 - Outlook for corporate profits in TY 2006 is still quite strong
- Non-withholding, while volatile, appears to be driven by small businesses and contract employees and resurgence of bonuses in the high wage sectors

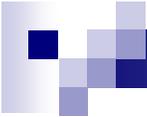


Revenue Outlook 2006-2008

■ Risks to forecast

- Consumers account for two-thirds of overall economic activity and will be impacted by higher interest rates and fuel costs
- Federal deficit reduction efforts could impact defense and domestic spending

■ Forecast represents an economic and revenue outlook developed in the fall of 2005 for a period that begins in July 2006 and runs for 24 months



General Fund Resource Adjustments 2006-08 Biennium

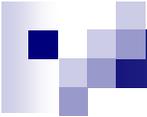
- Several tax policy changes adopted by the House lower available general fund resources by \$120.7 million
 - Estate Tax Repeal -- \$98.6 million
 - Back to School Sales Tax Holiday -- \$6.0 million
 - Long-term Care Insurance Tax Credit -- \$10.2 million
 - Conform to federal tax law -- \$5.9 million (assumed in introduced budget)

- Several amendments to budget further adjust resources available downward by \$76.0 million
 - Accelerated sales tax repeal -- \$26.0 million
 - Increase Car Tax cap \$1.0 billion -- \$50.0 million (expenditure)



General Fund Resource Adjustments 2006-08 Biennium

- Interest earnings on greater investment balances -- \$22.6 million
 - Increased general fund earnings reflect dollars set aside for Rainy Day Fund
- Sale of the ABC building in Northern Virginia -- \$7.5 million
- Retain interest earnings from Higher Education -- \$16.0 million
 - Introduced budget transferred interest earnings to higher education
- Based on the revenue forecast for FY 2006-08, and the assumed carry forward from FY 2006, approximately \$5.66 billion in net new GF resources is available in HB 30 after base budget is funded



HB 30 Proposed Action Revenue Stabilization Fund

	Balance
6/30/2006 Balance in Fund	\$680,592,236
Required 2007 Deposit (based FY 2005 revenues)	\$354,057,244
Estimated Interest Earnings in FY 07	\$25,726,387
Potential Balance 6/30/2007	\$1,060,375,867
Reserve for 2008 Deposit*	\$95,000,000
Estimated Interest Earnings in FY 08	\$45,384,087
Projected Balance 6/30/2008	\$1,349,789,191

* Required deposit will be based on actual FY 2006 collections as certified by Auditor of Public Accounts, November 2006.



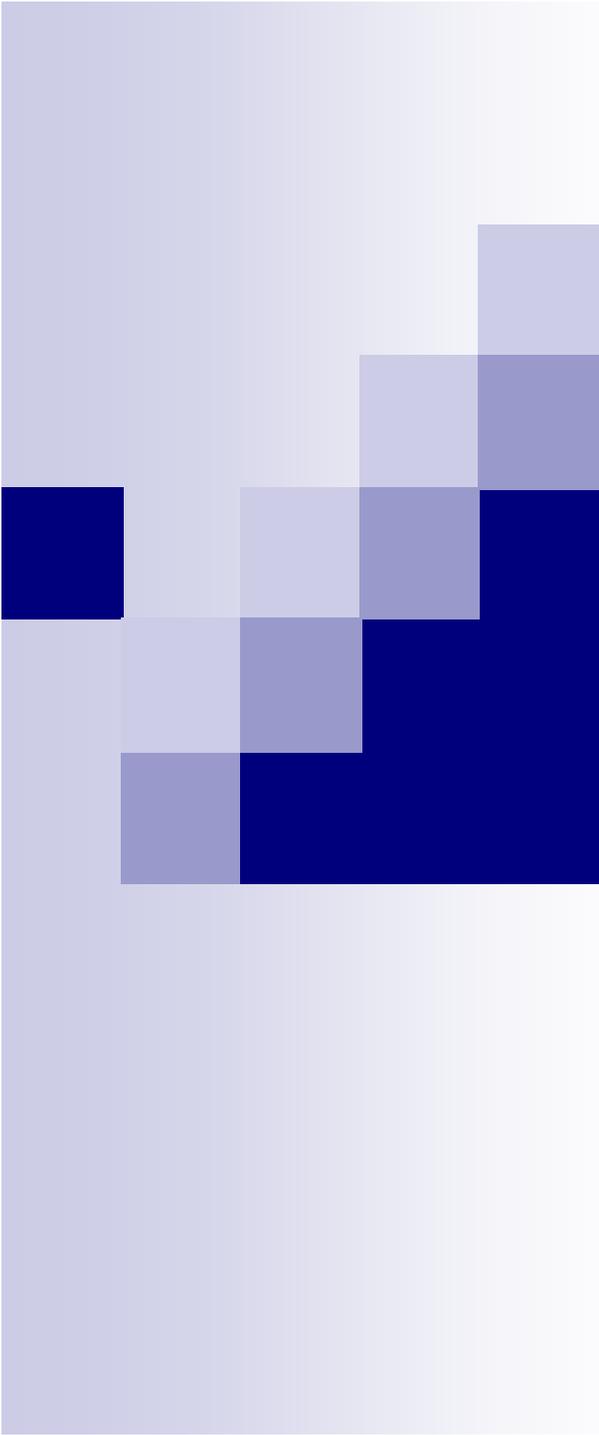
Committee Budget Process

- Allow the Committee to address pressing issues
 - Provide full funding for the re-benchmarking of the Standards of Quality
 - Meet higher education enrollment growth, utilize base adequacy guidelines, and provide financial aid and TAG
 - Invest in Institutional Research
 - Maintain our commitment to Cleaning the Chesapeake Bay
 - MHMR restructuring and community investment
 - Provide funding for 2 new hospitals and 2 training centers
 - Address the backlog in capital maintenance and project cost overruns
 - Address new projects for higher education
 - Invest in Transportation
 - Provide a one-time infusion of general funds to address specific transportation projects throughout the state
 - Dedicate an on-going funding stream for Northern Virginia and Hampton Roads
 - Address state employee, faculty and state-supported employee's compensation
 - Provide funding for the Sexually Violent Predator program
 - Public Safety and MHMRSAS
 - Tax policy actions adopted by the House



Committee Budget Process

- Guiding principles included:
 - Limit new spending initiatives or program expansions
 - Review formula driven programs for technical corrections
 - VRS, Basic Aid payments, Medicaid
 - Review Capital Projects
 - Review cost calculations, 6-year plan, SCHEV priorities



Report of the Transportation Subcommittee

Transportation Initiative - Resources

- Provides more than \$1.26 billion in additional revenues for transportation in FY 2006-08
 - Over \$2.1 billion through FY 2010
 - On top of more than \$4.4 billion annual commitment already dedicated to transportation
- Utilizes surplus revenues in FY 2007 for one-time capital projects
- Dedicate 1/3 insurance premium tax revenues to transportation, and fulfill commitment to repay 2003 FRANs with general funds
- Dedicates additional portion of recordation tax to transportation to areas in the most need of congestion relief – NoVa and Hampton Roads
- Ensures most egregious abusers of roadway system contribute their fair share
 - Estimated that 25 percent of all traffic congestion attributable to traffic incidents

	Revenue Sources				
	2006-2008 Biennium		2008-2010 Biennium		4-Year Total
	FY 07	FY 08	FY 09	FY 10	
1/3 Insurance License Tax Revenues	\$ 138.80	\$ 146.70	\$ 146.70	\$ 146.70	\$ 578.90
Redirect \$40 m/yr Recordation for Transportation	30.00	40.00	40.00	40.00	150.00
GF Commitment to 2003 FRAN Debt Service	37.40	37.40	37.40	37.40	149.60
General Fund for Specific Projects	600.00	-	-	-	600.00
Civil Penalties from "Abusers" bill	93.90	136.81	179.72	179.72	590.15
New Revenues	900.10	360.91	403.82	403.82	2,068.65
Existing Transportation Revenues	4,426.36	4,469.05	4,603.12	4,741.21	18,239.74
Grand Total	5,326.46	4,829.96	5,006.94	5,145.03	20,308.39

Transportation Initiative - Uses

- Direct one-time use of general funds to priority targeted projects already identified by the CTB and local governments
- Create new revolving bond funds in Northern Virginia and Hampton Roads
 - Modeled after Route 58 Corridor Development Program
- Fulfill existing commitments – 2003 FRAN debt service, expand local revenue sharing program, capitalize Transportation Partnership Opportunity Fund

	2006-2008 Biennium		2008-2010 Biennium		4-Year Total
	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	
Expedite Critical Highway & Transit Projects	\$ 600.00	\$ -	\$ -	\$ -	\$ 600.00
NOVA Revolving Bond Fund	57.48	64.61	64.61	64.61	251.31
Hampton Roads Revolving Bond Fund	40.54	47.27	47.27	47.27	182.35
Pay FRAN Debt Service	37.40	37.40	37.40	37.40	149.60
Local Revenue Sharing Program to \$50.0 m/yr	35.00	35.00	35.00	35.00	140.00
Transportation Partnership Opportunity Fund	25.00	25.00	25.00	25.00	100.00
Local Congestion Relief Fund	33.90	76.81	119.72	119.72	350.15
Expand Transit Capital Program Support	27.50	29.10	29.10	29.10	114.80
Maintain Assets	43.28	45.72	45.72	45.72	180.44
Total Uses By Source	\$ 900.10	\$ 360.91	\$ 403.82	\$ 403.82	\$ 2,068.65



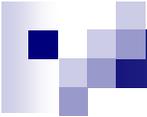
Expedite Critical Projects

- Dedicates a total of \$600.0 million GF in FY 2007 to expedite previously identified critical projects
 - Commits one-time general fund revenues to one-time capital construction and improvements
 - Project list is multimodal, addressing transit and rail needs as well as highway improvements
 - 77 percent directed to highway improvements, 23 percent to other modes
 - Achieves completion of key phases of projects and complements funding in SYIP
- Project list included in subcommittee report
- Few key projects included are:
 - \$95 million to widen I-66 from DC line to Falls Church
 - \$75 million for roadway improvements along I-81 corridor
 - \$45 million for rail improvements to Norfolk Southern line at northern end of I-81 corridor
 - \$20 million for METRO railcars and \$15 million for VRE railcars
 - \$30 million for I-64 improvements in Richmond area



Ongoing Funding Stream for Northern Virginia and Hampton Roads

- Create Northern Virginia and Hampton Roads revolving bond programs and provide a new, on-going revenue stream for these two regions with the worst congestion in Commonwealth
- Modeled after the Route 58 Corridor Development Program
 - Route 58 Program funded with \$40.0 million of recordation tax revenues each year
 - Over \$700 million in debt has been issued to support projects along Route
- Program funded with:
 - \$30.0 million/yr in recordation tax revenues in FY 2007, \$40.0 million/yr thereafter
 - Share of 1/3 insurance premium revenues attributable to these two regions based on their share of state's population
 - Revenues would be leveraged to establish a revolving loan program
 - Similar to higher education equipment trust fund (HEETF)



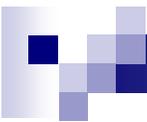
Ongoing Funding Stream for Northern Virginia and Hampton Roads

- Revolving Fund
 - Funds would leverage 10-year notes with debt issuances made each year over the ten year period
 - By year 11, first year issuance is repaid and freed-up revenues used to begin process again
 - Short-term nature of debt means additional funding is available for projects each year – unlike 25-35 year debt where single project is built and you pay into the future
- In Northern Virginia, these revenues would supplement the existing Northern Virginia Transportation District Program
 - \$57.48 million in FY 2007, \$64.61 million in FY 2008
 - Over 10 years, would support an estimated \$675 million in pay-as-you go and debt-financed projects
- In Hampton Roads, these revenues would be deposited into a new Hampton Roads Transportation District Program
 - \$40.54 million in FY 2007, \$47.27 million in FY 2008
 - Over 10 years, would support and estimated \$500 million in pay-as-you go and debt-financed projects



Meet Existing Commitments

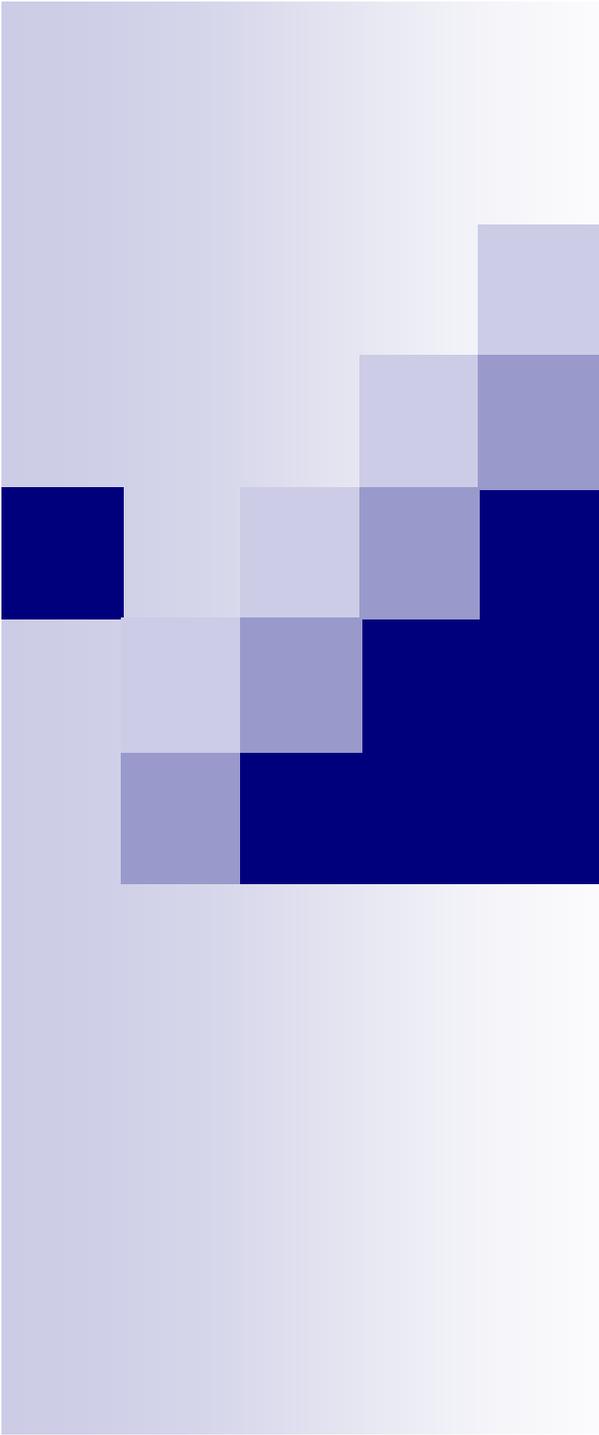
- \$37.4 million GF each year to pay FRAN debt service attributable to sales and use tax transferred from TTF to GF in 2003
 - GA commitment through 2013
- Use Abuser Fee revenues to fund previously identified priorities
 - Local-Revenue Sharing Program: Increases \$35.0 million year to \$50.0 million year on on-going basis
 - House Bill 681
 - Transportation Partnership Opportunity Fund: Dedicates \$25.0 million year on on-going basis
 - Fund used to encourage and support PPTA opportunities
 - Legislation adopted last year, no on-going funding stream provided
 - Local Congestion Mitigation Fund: Dedicates remaining abuser fee revenues to this fund -- \$34 million in FY 07, \$77 million in FY 08
 - Focused on spot improvements that can substantially reduce congestion
 - \$1.00 for \$1.00 match to local contributions
 - CTB managed grant application program



Address Growing Costs of Existing Highway and Transit Systems

- Provide additional funding for highway maintenance
 - Maintenance growth of about \$50.0 million year is a drain on construction program
 - By addressing costs increases above inflation, reduce draws on construction program
 - Would provide on-going support for growing maintenance costs from share of insurance premium revenues - \$43.3 million in FY 07, \$45.8 million in FY 08

- Support transit capital program
 - Provides \$27.5 million in FY 07 and \$29.1 million in FY 08, representing the share of the 1/3 insurance premium revenues not attributable to auto insurance
 - Infusion would increase state match for capital replacement to about 50 percent by FY 2008
 - Addresses the decreasing state share for transit capital replacement and increased need to utilize multimodal solutions to address congestion



**Report of the
Commerce, Agriculture and
Natural Resources
Subcommittee**



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 30 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 in the areas of economic and community development 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



Commerce and Trade

- \$8.1 million in the first year is dedicated to funding 4 economic development initiatives in Western 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
 - \$100,000 for an economic development initiative in Wise county



Virginia Tourism Authority

- 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
 - Also includes \$100,000 each year for the Coalfields Regional Tourism Authority and \$50,000 in the first year for a tourism development plan for the New River Valley
- Film Industry Promotion – provides \$1.6 million in the first year for the Motion Picture Opportunity Fund as well as \$500,000 the second year to promote historically themed film promotion activities



Funding Reductions and Elimination of New Initiatives

- New initiatives totaling \$6.7 million for biennium were not funded or were reduced:
 - Allegheny Initiative (\$1.0 million)
 - Creation of Regional Research Centers (\$2.5 million)
 - Broadband feasibility and access (\$3.2 million reduction)
- Governor's Opportunity Fund – reduce proposed appropriation by \$9.5 million
 - \$11.5 million in new funding remaining
 - Current balance of approximately \$13.0 million will be carried forward
 - Matches FY 2006 appropriation level
- Economic contingency – reduces by \$1.0 million each year amounts available to Governor for unforeseen circumstances



Natural Resources

- Primary Areas Addressed by Subcommittee Recommendations
 - Continued Commitment to Chesapeake Bay Restoration
 - Dam Safety
 - Historic Preservation
 - Redirected spending



Continued Commitment to Chesapeake Bay Restoration

- House Bill 29
 - Nonpoint source pollution control: \$39.6 million
 - Represents 70 percent of the FY 2005 surplus
 - \$16.0 million must be spent outside Chesapeake Bay watershed
 - Wastewater treatment plant improvements: \$17.0 million
 - Represents 30 percent of FY 2005 surplus
- House Bill 30
 - \$200 million provided for wastewater treatment plant improvements
 - Largest single deposit to Water Quality Improvement Fund
 - In two years, House has now provided 50 percent of the funding it originally committed to provide over 10 years
 - Water quality monitoring and complete water quality assessments: \$1.4 million
 - Ensures compliance with U.S. EPA consent decree requirements
 - Soil and Water Conservation Districts funding: \$1.0 million
 - Funding to be distributed on conservation practice implementation needs



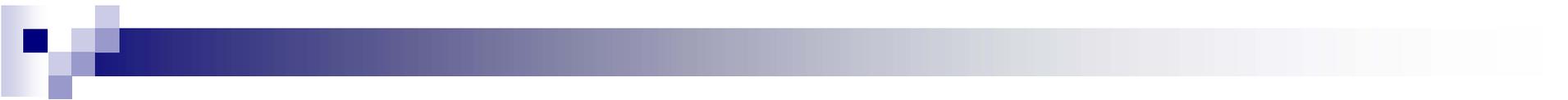
State Parks and Dam Safety

- Additional funding for state parks: \$3.2 million
 - Provides 21 positions and wage staff for parks expanded by 2002 general obligation bonds
 - Includes additional \$500,000 in nongeneral fund revenue from rentals and concessions
- Deposit to new dam safety fund: \$800,000
 - Provides grants and loans to localities and loans to private dam owners
 - Targeted to those dams representing greatest threat to public safety
 - Includes additional \$500,000 in nongeneral funds from non-federal flood insurance
 - Managed by Department of Conservation and Recreation and Virginia Resources Authority



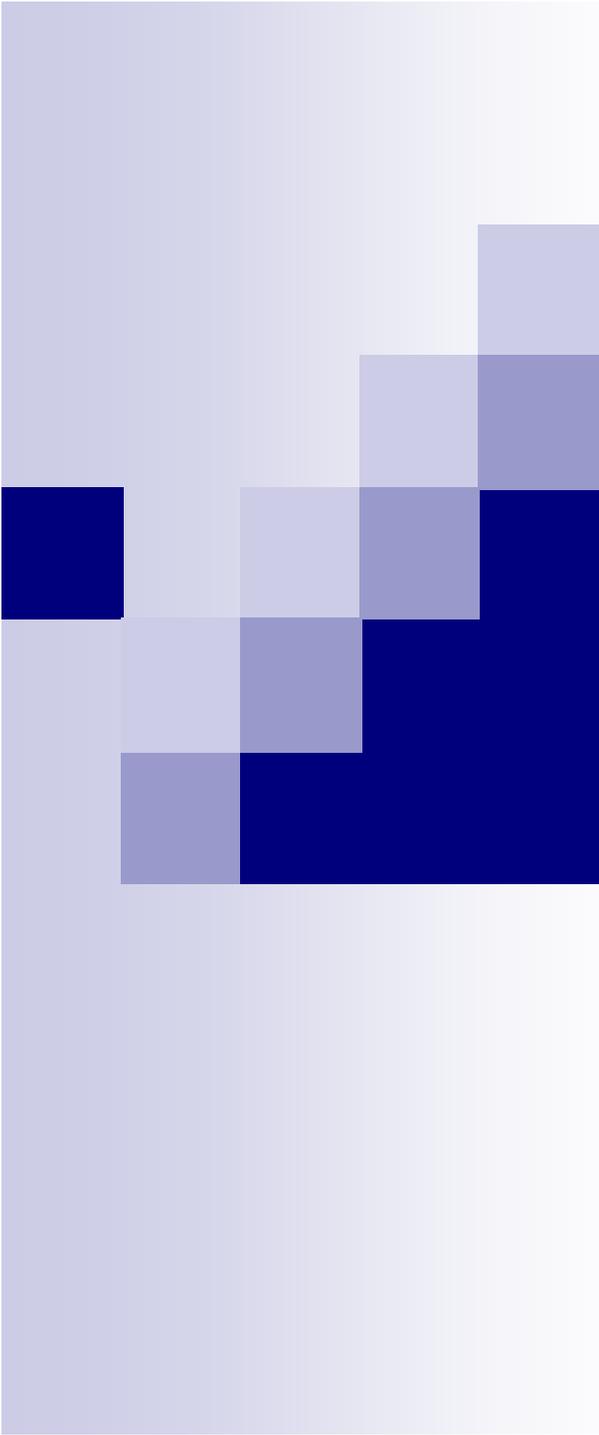
Historic Resources Protection

- Civil War historic site preservation grants: \$1.0 million
 - Sites must have been recognized by National Park Service
- \$749,697 included to assist in the restoration of Montpelier
 - Represents 20 percent of private donations for renovation work on James Madison's home
- Survey and Planning Cost Share Program: \$316,362 GF and \$240,000 NGF
 - Assists localities conduct architectural and archaeological resource surveys
- \$19,320 to care for additional Confederate graves located in Winchester
 - Total number of graves found increased from 180 to 1,932



Redirected Spending

- Reducing grants for wastewater improvements in Southern Rivers region: \$25 million
 - Most significant problem in Southern Rivers region nonpoint source pollution
 - \$16 million in nonpoint source pollution control funds must be spent outside Chesapeake Bay region
- Reducing grants for combined sewer overflow projects: \$7.5 million
 - State has made significant prior commitments
 - Cities involved eligible for WQIF wastewater treatment plant funding
- Capture Rails to Trails program funding: \$950,000
 - Funding provided last year for purchase of abandoned railways
 - This funding did not provide for connections to previous purchases
- Elimination of funding for additional solid waste oversight: \$1.1 million
 - Additional fees for solid waste management were approved in 2004 Session
- Capture funding for Virginia Indian Heritage Program: \$500,000
 - Additional funding provided for Council on Indians
 - Nonstate agency grant approved last year for Virginia Indian Heritage Trail
- Eliminate funding for Captain John Smith water trail: \$140,000



Report of the Capital Outlay Subcommittee



Criteria for the Subcommittee's Recommendations

- Six-year capital plan or justified under SCHEV space guidelines
- Address HAC Priorities and Prior Commitments
- State Policy and Practice with regard to appropriate fund source
- Prior commitments should be funded using GF
 - Cost overruns
 - Equipment
 - Projects with previously-approved planning
- Keep amount of recommended debt projects to no more than the introduced budget



Subcommittee Recommendations

- Jumpstart mental health facility projects that are ready-to-go using GF cash
 - The two mental health hospitals (Western and Eastern) are the furthest along
 - Eastern is already under a PPEA which can be expanded
 - Using GF at Western will expedite the project
 - The two training center replacements need to develop the replacement plan and the project cost so planning is recommended in FY 2007 so that the legislature can fund the appropriate project scope at the correct cost



Cost Overruns, Capital Maintenance and Equipment

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



Construction and Renovations

- Address high priority projects - \$251.7 million
 - Replace Western State Hospital - \$80.5 million
 - Heating / Power Plant Upgrades - \$38.1 million
 - VMI Barracks - \$26.9 million
 - Woodrow Wilson Water Line (HB 29) - \$1.2 million
 - Expand GMU Fine Arts - \$6.3 million
 - Radford Academic Buildings - \$10.5 million



Planning and Acquisition

- \$24 million to continue acquisition of Rockingham Hospital at JMU
- \$6.0 million to acquire Williamsburg Community Hospital for new School of Education at William and Mary
 - \$1.9 million to plan the renovation is also provided to the College
- \$10 million to plan the replacement of the Central Virginia and Southeastern Virginia Training Centers
- \$2.0 million to plan two critical renovations at Norfolk State
- \$1.2 million to develop a new graduate studies center at Radford
- \$1.5 million to develop a new academic facility at Tidewater Community College (Chesapeake)
- \$1 million to develop a new research facility at UVA



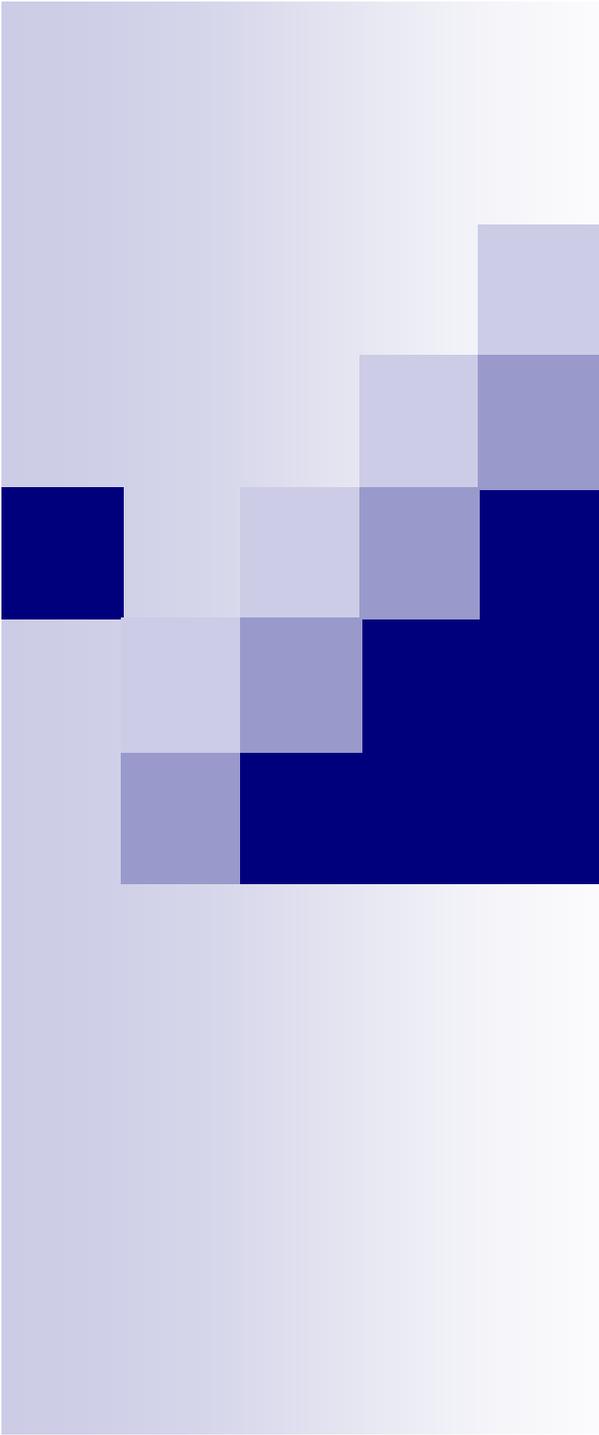
Use of Debt

- Introduced budget included \$341 million of tax-supported debt
- Subcommittee recommends a total of \$339 million
 - Authorize the replacement of Eastern State Hospital under a PPEA - \$59.7 million
 - Higher education and state parks projects in Part V - \$279.3 million
 - Higher education projects justified under SCHEV space guidelines
 - State parks projects complete approved master plan



Summary of Subcommittee Recommendations

- 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



Report of the Higher Education Subcommittee



Higher Education

- Provides a biennial increase over the adjusted operating base budget of about \$419.0 million or about 13.2 percent
 - Focused on base operating needs, financial aid, and research
- Remove selected new initiatives and program expansions proposed in the introduced budget
 - Middle College – saves \$9.0 million
 - VIMS Bay Initiative – saves \$2.9 million
 - Senior Year Initiatives – saves \$2.2 million
 - SCHEV Pass-Thru Programs – saves \$10.3 million



Higher Education Institutions

- Subcommittee recommendations reflect application of legislative funding guidelines
 - Bring all institutions to at least 90 percent of their guideline
 - Fund enrollment growth
 - Provide an allocation of increased cost of utilities, new facilities, other operating costs

- \$215.9 million GF for public colleges and universities
 - \$201.7 million focused on base operating costs and enrollment growth
 - \$8.3 million for operations of new facilities
 - \$5.9 million for utility cost increases

- \$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 \$3,1000 in FY 2008 using SCHEV's enrollment projections



Higher Education Research

- Facilities
 - Research is space intensive
- Financial assistance for graduate students
 - Faculty require highly qualified graduate students to support their efforts
- Equipment
 - State-of-the-art is essential
- Faculty and Technical Staff
 - An on-going cost to retain and recruit top-flight faculty



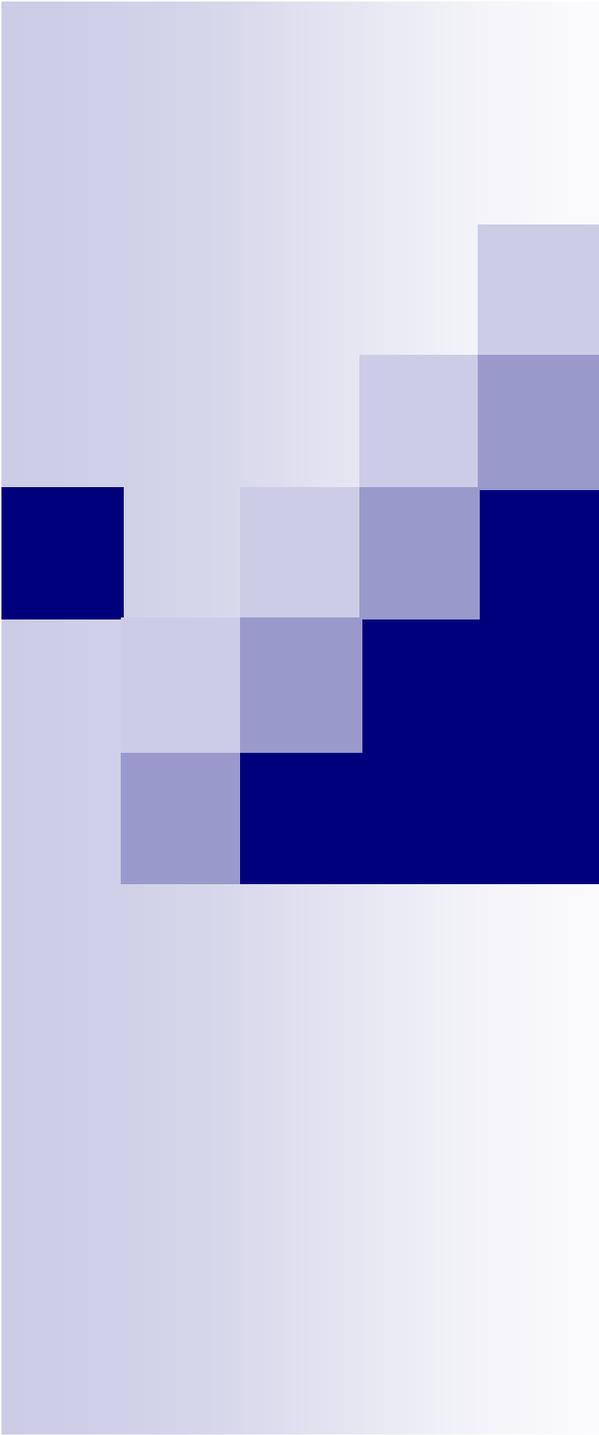
Higher Education Research

- Involve all Virginia doctoral research institutions
- Balance the funding between fiscal years to provide on-going support to achieve research goals
 - Expand the use of ETF for equipment purchases
- Fund the research facilities in capital outlay through the bond package
- Value of state support for research institutions is about \$30 million more than the introduced budget
 - Includes additional graduate aid (\$1.9 million GF)
- Assessment and accountability mechanism through the Virginia Academic Research Corporation (House Bill 985)



Other Major Higher Education

- \$45.5 million to provide a four percent average faculty salary increase in FY 2007
 - 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



Report of the Compensation and Retirement Subcommittee



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 2nd year salary reserve of \$41.0 million
 - State employees, faculty, and state-supported local employees

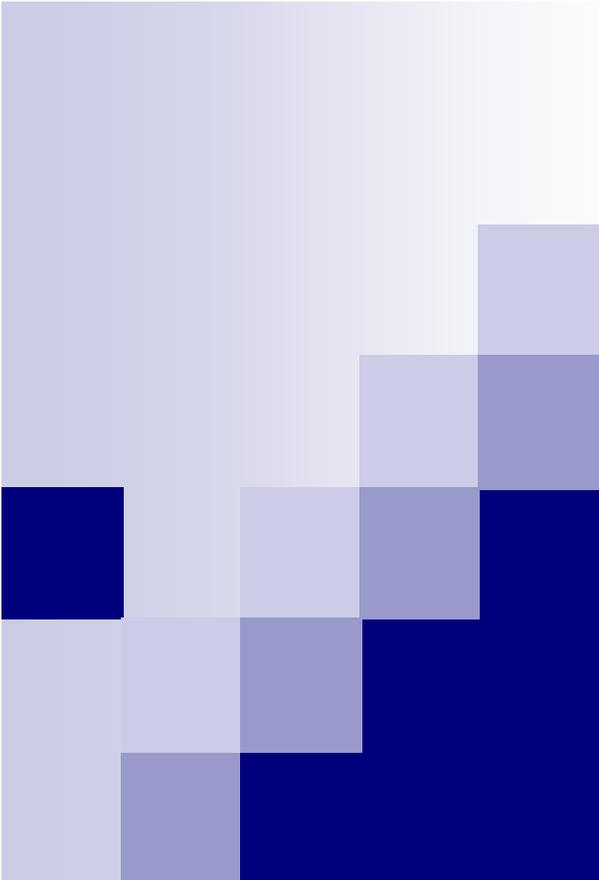
- Increase mileage rate for state employees using personal vehicle
 - 32.5 cents to 44.5 cents: \$2.6 million

- State employee health insurance program (employer premiums): \$71.3 million GF
 - Full state funding for enhanced prevention and wellness benefits
 - Employee premiums will increase 9.9 percent
 - No benefit/plan design changes



Virginia Retirement System (VRS) Employer Rates

- Includes \$229.1 million GF for the State's share of various VRS pension/benefit programs
 - Virginia Sickness and Disability Program:
 - VRS Group Life Insurance Program
 - VRS Retiree Health Insurance Credit Program
- House Bill 59: State Employee Retiree Health Credit (remove cap): \$1.9 million



Report of the Public Safety Subcommittee



Public Safety Budget Review Process

- Sex offender registration, commitment, and monitoring identified as a priority of House
 - Subcommittee expressed desire to fund through redirecting existing resources to the extent possible

- Reviewed proposals in introduced budget, existing programs, and heard directly from agencies
 - Identified programs or funds that could be redirected to fund the House priorities

- Funded public safety sex offender programs with redirected savings from other public safety programs



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



Department of Corrections

- \$88.1 million GF to operate the new facilities in 2006-08
 - Deerfield CC expansion: January 2007
 - St. Brides CC expansion: June 2007
 - Tazewell Medium Security: July 2007
 - Pittsylvania Medium Security: September 2007
- Direct inmate cost: \$15.8 million GF
- Probation/parole officers: \$5.5 million GF
 - 53 positions to maintain average caseloads (76-80) per officer
- Private prison contract rate increase: \$3.8 million GF
- Correctional information system (CORIS) implementation: \$3.7 million GF



Sheriffs and Jails

- Deputies for new/expanded jails: \$4.9 million GF
 - Eastern Shore Regional and Northwestern Regional Jails
- Law enforcement deputies (1:1,500 Population): \$2.6 million GF
 - 40 deputies
 - Counties of Amelia, Augusta, Clarke, Dinwiddie, Fauquier, Fluvanna, Franklin, Frederick, Greene, Hanover, Loudoun, Montgomery, New Kent, Orange, Rockingham, Spotsylvania, Stafford, and York



Other Public Safety Agencies

- 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
 - Priority on those with regional impact



Additional Public Safety Spending

■ 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

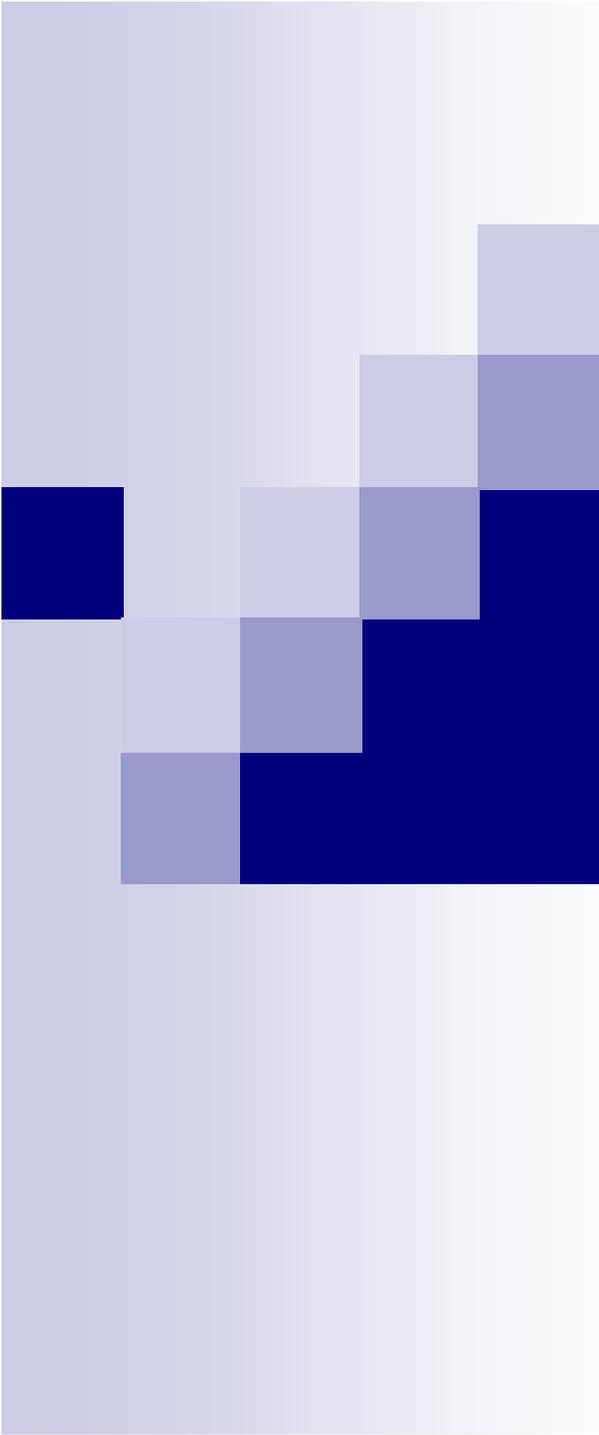
■ Department of Forensic Science: \$6.2 million GF

- Additional scientists/support staff: \$2.3 million
- Reduced drug case backlog: \$1.4 million



Selected Public Safety Savings

- Dept. of Fire Programs
 - New fire programs match program (\$12.0 million)
- Criminal Justice Services
 - New anti-gang grant programs (\$3.6 million)
- Department of Juvenile Justice
 - Delay Culpeper & Hanover JCC expansion (\$2.0 million)
- Compensation Board (\$3.0 million)
 - Court services staffing standards & delayed jail opening (HB 29)
- Department of Correctional Education
 - Phase-in equipment & supplies/programs (\$0.5 million)
- Department of Corrections
 - Phase-in staff and programming (\$0.2 million)



**Report of the
Health and Human
Resources Subcommittee**



HB 29: Health & Human Resources

- \$30.8 million GF in increased spending
 - Adoption Subsidy Program: \$7.8 million
 - Comprehensive Services Act: \$7.5 million
 - Medicaid utilization and inflation: \$7.0 million
 - Shortfall in MHMR facility and community pharmacy: \$5.3 million
 - TANF shortfall and VIEW day care: \$1.6 million
 - Outsource payroll process for certain Medicaid services: \$1.0 million

- \$26.1 million GF in savings
 - Medicaid savings from Medicare Part D: \$2.3 million
 - Reduce “clawback” payment for Medicare Part D: \$6.7 million
 - Additional pharmacy rebates: \$4.5 million
 - FAMIS & Medicaid SCHIP caseload: \$4.1 million
 - Foster Care: \$3.7 million
 - Correct double count of Medicaid dental costs: \$2.0 million
 - Involuntary mental commitments: \$1.6 million
 - Prior authorization contract savings: \$1.2 million



HB 30: Health & Human Resources

- \$690.9 million GF additional mandatory spending
 - Medicaid utilization and inflation: \$483.5 million
 - Impact of Medicare Part D: \$81.7 million
 - Comprehensive Services Act: \$48.4 million
 - Adoption Subsidy Program: \$29.0 million
 - MHMR facility and community pharmacy: \$15.0 million
 - TANF shortfall and VIEW day care: \$14.8 million
 - FAMIS and SCHIP (Medicaid low-income children): \$11.7 million
 - Mental health facility revenue shortfall: \$6.8 million



HB 30: Health & Human Resources

- \$125.9 million GF for MHMRSAS restructuring
 - Mental retardation restructuring: \$73.4 million GF and \$61.7 million NGF
 - Mental health and substance abuse restructuring: \$52.5 million
 - Language is added requiring the Department to use PPEA to expedite construction of the new MHMR facilities and contract with the private sector for the operation of at least one facility



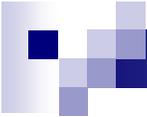
Mental Retardation Restructuring

- Mental Retardation - \$73.4 million GF and \$61.7 million NGF
 - 214 community MR waiver slots to address waiting list: \$11.1 million GF and \$11.1 million NGF
 - 110 MR waiver slots to eliminate urgent care waiting list for children under age 6: \$5.4 million GF and \$5.4 million NGF
 - Central Virginia Training Center - 97 MR waiver slots for discharges: \$6.8 million GF and \$6.8 million NGF
 - Southeast Virginia Training Center - 52 MR waiver slots for discharges: \$3.7 million GF and \$3.7 million NGF
 - MR waiver slot start-up costs at \$4,000 per slot: \$1.5 million GF
 - Increase in Medicaid MR Waiver rates 10% for congregate living, 5% for other waiver services: \$34.7 million GF and \$34.7 million NGF
 - Part C early intervention services for 1,429 infants and toddlers with developmental delays: \$8.2 million GF
 - Guardianship services for mentally retarded: \$2.0 million GF



Mental Health Restructuring

- Mental Health Services - \$52.5 million GF
 - Eastern State Hospital community diversion funding to reduce capacity by 65 beds: \$11.7 million
 - Western State Hospital (WSH) and Northern Virginia Mental Health Institute community diversion funding and discharge assistance (reduces capacity at WSH by 9 beds): \$13.2 million
 - Expand crisis stabilization services and add 2 new units: \$9.4 million
 - Regional funding for community mental health services and capacity building: \$7.4 million
 - Inpatient treatment, in-home residential support, mobile outreach, jail-based diversion projects, crisis counseling, discharge assistance planning, consumer-operated services
 - Start-up costs, housing development, utilization management
 - Discharge assistance for 22 NGRI patients and 32 civil patients: \$5.8 million
 - Expand children's services: \$4.0 million
 - Architecture and Engineering positions: \$571,082
 - Licensing positions: \$427,808



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 (effective July 1, 2006)
 - Medicaid physician services 3% increase (except OB/GYN services): \$6.9 million (effective July 1, 2007)
 - Medicaid personal care rate increase: \$4.3 million (effective July 1, 2007)
 - Medicaid skilled nursing rate increase: \$1.5 million (effective July 1, 2006)
 - Medicaid adult day health care rate increase: \$139,673 (effective January 1, 2007)
 - Rate increase for death investigations: \$1.3 million



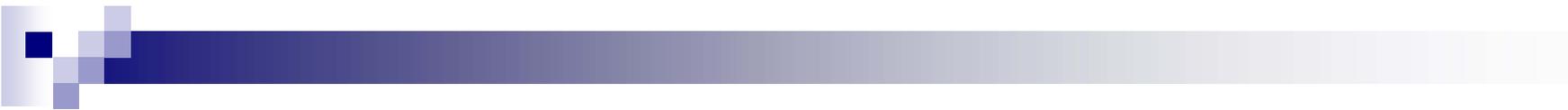
Sexually Violent Predatory Program

- \$14.4 million GF for sexually violent predator program (HB 1037 and HB 1038)
 - \$1.0 million GF for clinical evaluations and court testimony
 - \$537,600 million GF for SVP conditional release services, including treatment and Global Positioning System monitoring
 - \$516,782 SVP office staffing and operations
 - \$12.3 million for additional facility operating costs to house and treat additional SVPs based on new legislation
 - Language directs the Department to contract with the private sector for operation of the SVP facility



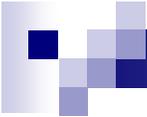
Other Programs in Health & Human Resources

- **\$34.2 million GF in program support**
 - Drinking water construction projects: \$7.2 million
 - Outsource payroll process for certain Medicaid services: \$3.9 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
 - Long-term employment support services: \$1.5 million
 - Resource Mothers program: \$1.2 million
 - Healthy Families: \$1.0 million
 - Tdap Booster for Children: \$553,399
 - Reporting Physician Outpatient Data: \$250,000
 - Other: \$4.3 million



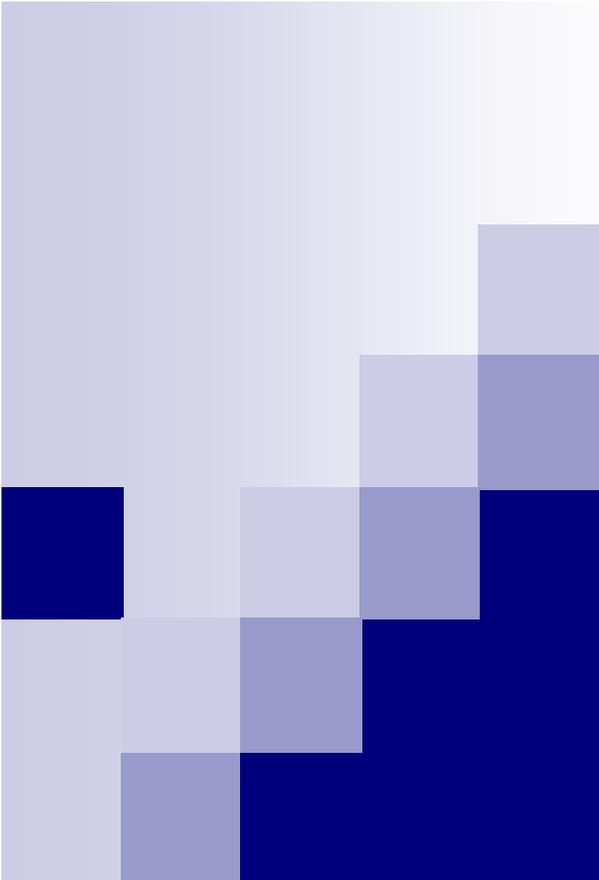
Other Programs in Health & Human Resources

- \$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



**Report of the
Elementary and
Secondary Education
Subcommittee**



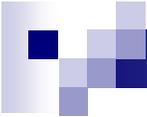
HB 29: Public Education

\$33.9 million GF in increased spending

- Technical - update to sales tax revenue estimate: \$18.5 million
 - 2002 Census data used for entire fiscal year
- Technical - restore funds transferred into FY2005: \$8.9 million
- Technical - restore funding for full participation in At-Risk Four-Year-Olds: \$6.5 million

\$31.2 million GF in savings

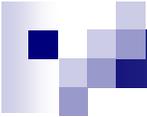
- Technical - update lottery revenue estimate: \$3.2 million
- Technical - update English-as-a-Second Language: \$1.5 million
- Technical - update teacher Mentoring and Teacher Corps: \$1.7 million
- Technical - update remedial summer school participation: \$2.8 million
- Technical - update student average daily membership: \$7.7 million
- Technical - update incentive-based programs: \$14.3



HB 30: 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



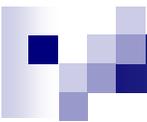
HB 30: Re-Benchmarking Costs in Direct Aid

	<u>\$ in millions</u>
Basic Aid Updates	\$547.2
Enrollment and ADM	139.0
Funded Salaries in Basic Aid SOQ Positions	255.7
Sales Tax	185.0
Triennial School Census	7.8
Composite Index	41.3
Categorical Initiatives	<u>13.5</u>
Total Direct Aid	\$1,189.5



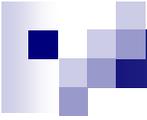
Public Education Direct Aid Spending

- Re-Benchmarking SOQ Components:
 - Increased enrollment
 - Increases in March 31st Average Daily Membership (ADM)
 - 6,201 additional students in FY 2007
 - 11,235 students in FY 2008
 - SOQ positions' salary adjustments
 - Teacher salary increased by 5.7%
 - Principal, asst. principal, instructional asst. up an avg. 6.2%
 - Fringe benefits rate changes
 - VRS professional rate: 6.62% to 9.20%, non-prof: 4.94% to 7.48%
 - Group Life Premium re-instated at 0.49%
 - Health Care: \$3,269 to \$4,301



Teacher Raise and RHCC

- Subcommittee recommends includes the state's share of a 3% salary increase for all instructional and support SOQ positions: January 1, 2007 - \$160.0 million GF
 - FY 2007: \$53.8 million GF
 - FY 2008: \$106.2 million GF
- Incentive-based funds – optional participation
 - Locality determines what salary increase will be provided
 - Total increases reflected in future re-benchmarking
- Retiree Health Care Credit (RHCC) increase from \$2.50 per month up to \$4.00 per month for every year of creditable service into VRS: \$15.8 million GF
 - No cap on years of service for monthly benefit



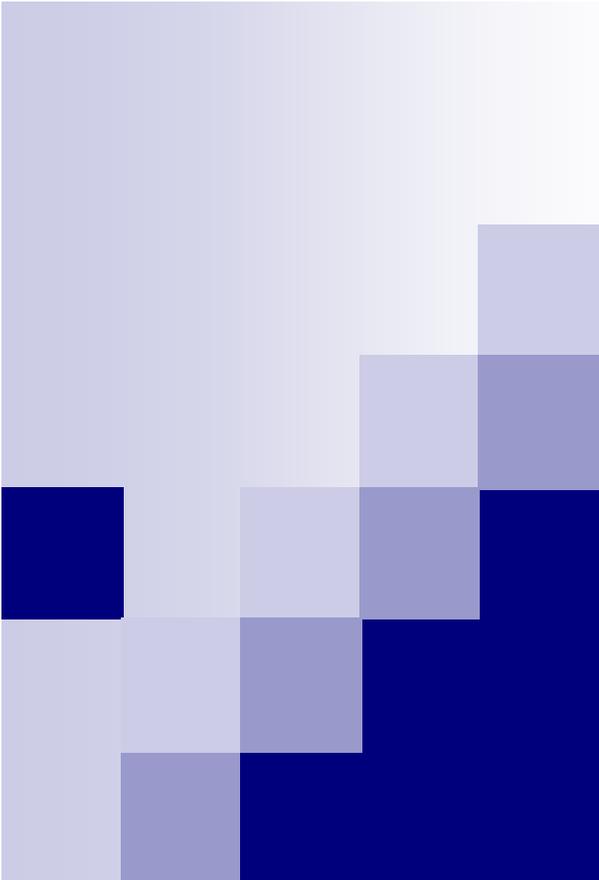
Program Support in Direct Aid

- Education for a Lifetime Initiative - No Child Left Behind Initiative: Path to Industry Certification - \$549,100 GF
- Phase-in funding for adding the Cost of Competing Adjustment to localities that are adjacent to Planning District 8 and have over 45% of the out-commuting work force traveling into the region - \$4.8 million GF
- Career and Vocational Education
 - Restore funding for Resource Center: \$800,000 GF
 - Statewide additional equipment funding: \$600,000 GF
 - One-time funding for planning the Middle Peninsula Career & Vocational Center: \$200,000 GF
- One-time funding in FY 2007 for Communities-in-Schools supplemental education program - \$500,000 GF
- Commission on Civics Education - restore \$200,000 GF



Budget Savings in Direct Aid

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



**Report of the
General Government
and Technology
Subcommittee**



Primary Areas Addressed by Subcommittee Recommendations

- Legal assistance for indigent Virginians
- Court system investments
- Attorney General staffing
- Redirected spending



Legal Assistance for Indigent Virginians

- Subcommittee recommends \$28.4 million to improve access to legal assistance
 - Criminal fund caseload growth: \$18.6 million
 - General court-appointed attorney compensation increase: \$2.8 million
 - Increases funding for all types of criminal cases
 - Additional compensation for cases involving prison terms of 20 years or more: \$2.6 million
 - Additional public defenders: \$2.3 million
 - Reduces workloads of current staff
 - Additional support for legal aid programs: \$250,000
 - Provide low-income Virginians with assistance in civil law matters such as credit, debt, and tax assistance



Court System Improvements

- Subcommittee recommends \$7.7 million GF and \$12.3 NGF to improve the operations and efficiency of the court system
 - Technology Fund: \$12.3 million NGF
 - Based on limited fee increases for civil court filings
 - Provides for immediate assistance with system reliability
 - Additional circuit court and district court judgeships: \$4.4 million
 - Additional district court personnel: \$2.5 million
 - 30 additional positions
 - Distributed statewide based on workload staffing model
 - Technical assistance staff: \$944,860
 - Responsible for advising judges, clerks, and magistrates about how operations can be more effective and efficient



Office of the Attorney General

- Subcommittee recommends \$3.9 million GF and \$976,511 NGF for Attorney General
 - Additional staffing: \$3.4 million GF and \$976,511 NGF
 - Attorneys, paralegals, and support staff
 - Additional salary adjustments for existing attorneys: \$314,732
 - Training for non-attorney staff: \$200,000



Selected Additional Items

- Additional positions for Commonwealth's Attorneys: \$3.6 million
 - Represents 60 additional positions
 - Distributed based upon workload factors
- Additional veterans claims personnel: \$577,256
- Advertising for Constitutional amendments: \$332,000
- Virginia Base Mapping Project: \$1.2 million
 - Provides aerial photographic map of Virginia
 - Used for E-911, emergency planning, and local economic development



Redirected Spending

- Reducing Enterprise Applications project funding: \$15.3 million
 - \$2.8 million captured from Caboose Bill
 - \$12.5 million captured from introduced budget
- Level funding constitutional officers: \$6.8 million
 - Does not impact existing funding for these offices
 - Excludes Commonwealth's Attorneys and Sheriffs
- Reduced funding for Council on Virginia's Future: \$1.5 million
- Elimination of high technology consulting line for Innovative Technology Authority: \$1.0 million
- Elimination of ethanol-blended fuel initiative: \$450,000
 - Use of ethanol not recommended by JCOTS
 - Biofuels initiative passed by House provides for use of other alternative fuels
- Reduced contract expenditures for school efficiency review program: \$300,000
 - Reflects contract savings – no reduction in schools examined



Summary of Subcommittee Recommendations

- Subcommittee focused on those services for which the Commonwealth is the primary service provider
- Redirected spending was focused on program expansions and new programs