2010 Session

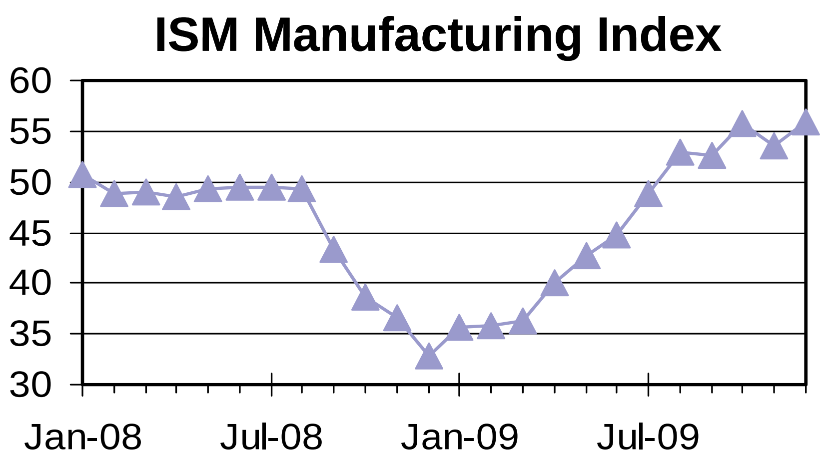
Budget Overview
Amendments to FY 2008-10 Budget
Proposed FY 2010-2012 Budget

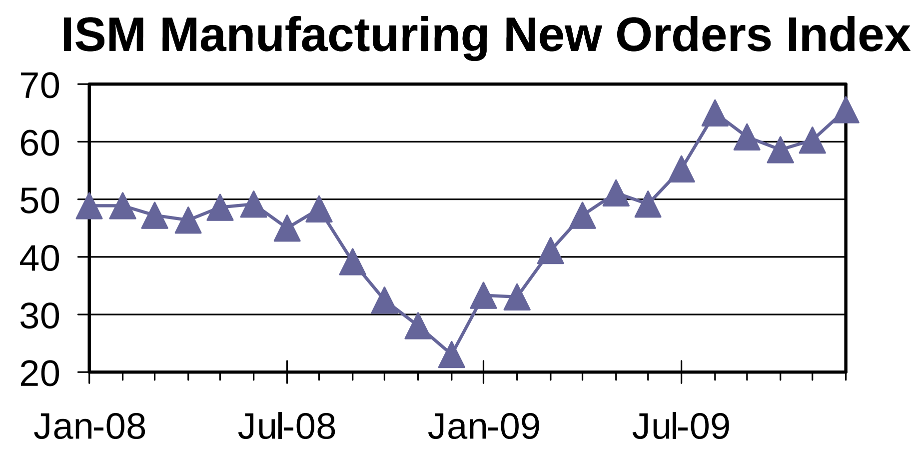
January 14, 2010

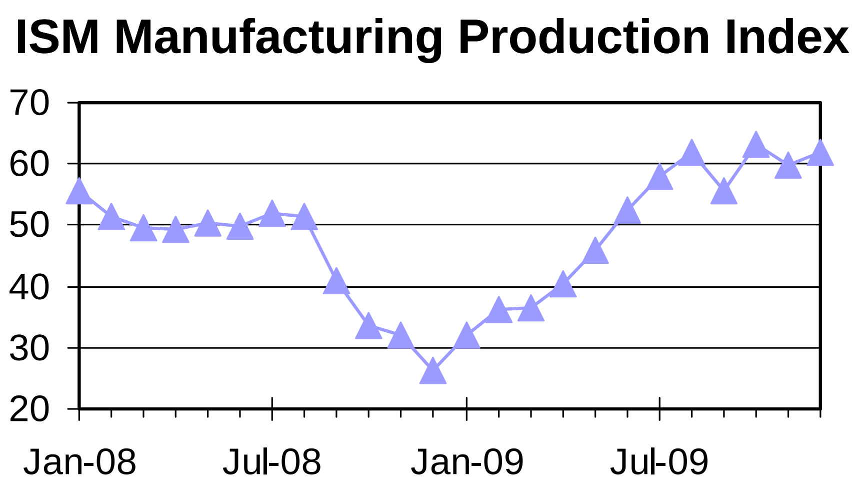
Current National and State Economic Indicators

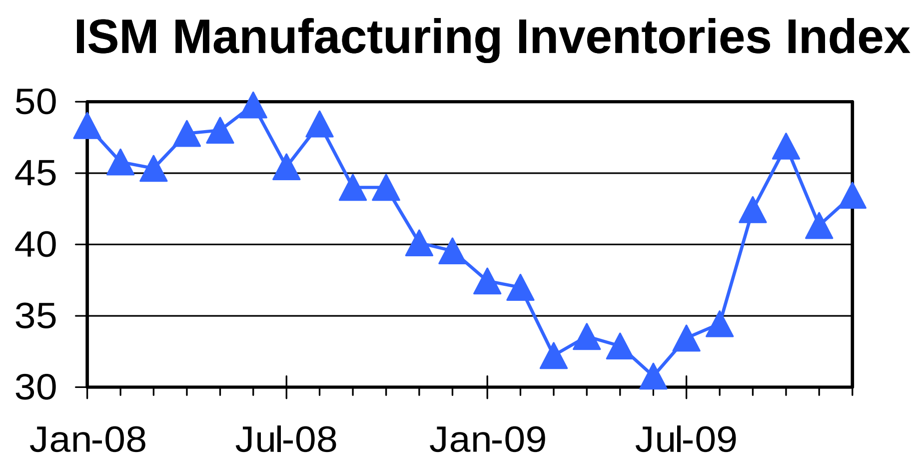
- Most economists believe that the deep recession ended by August. Majority of national economic indicators suggest the rate of decline slowed by the fall and many measures now are improving
  - Conference Board reported that Leading Indicators rose 0.9% in November, 8th straight monthly increase
- 3rd Quarter GDP grew 2.2%. While 3^{rd} Q. GDP growth has been revised downwards twice since its initial release, it still represents a substantial improvement as annualized GDP had fallen in 5 of the 6 previous quarters
- Economic activity in the manufacturing sector expanded for the 5^{th} consecutive month in December, and the overall economy grew for the 9^{th} consecutive month
  - The Institute of Supply Management Index stands at 55.9%, highest level since June 2006

Manufacturing Sector Expanded in December -- the Fifth Consecutive Month, with 9 of 18 Manufacturing Industries Reporting Growth







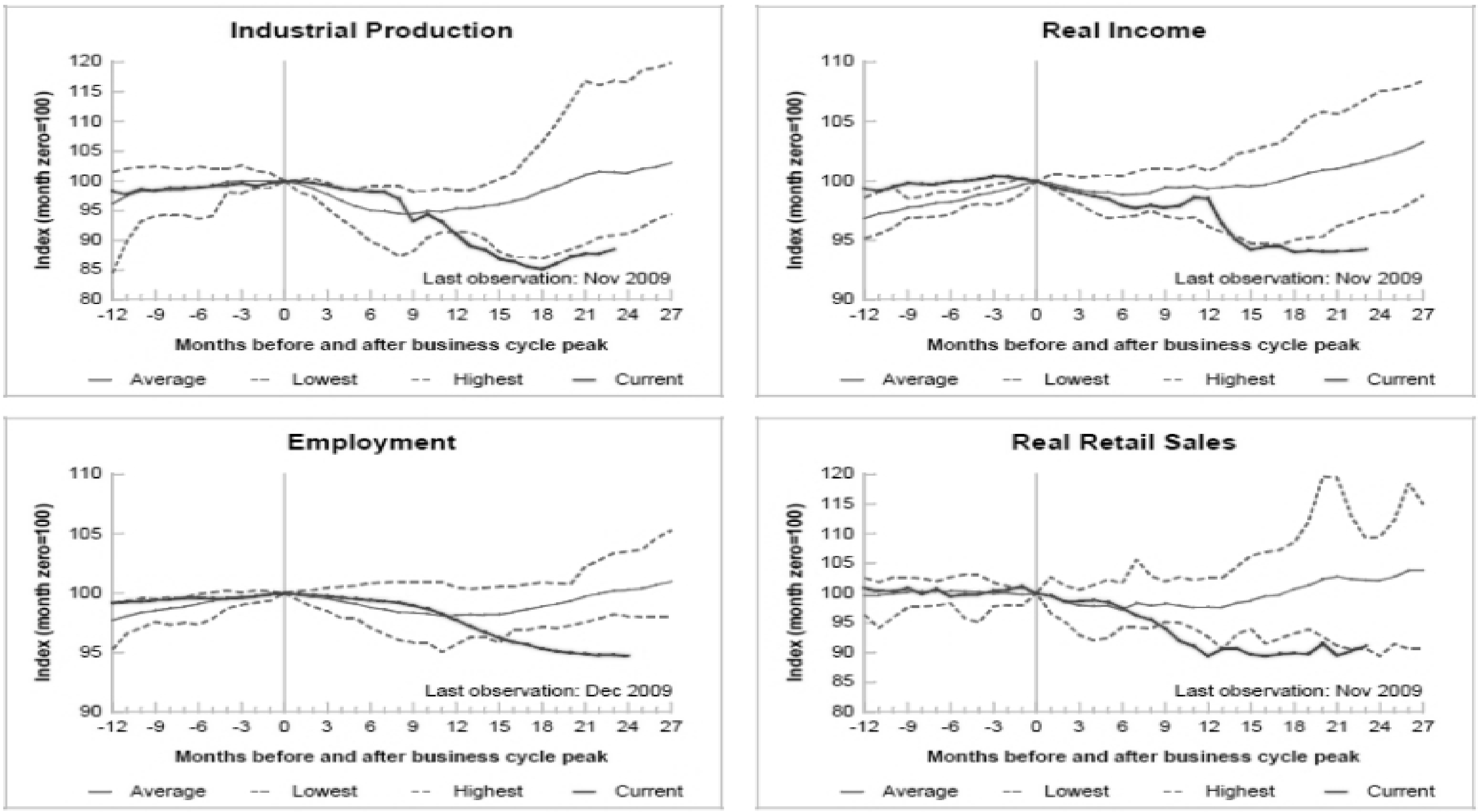


All indicators are diffusion indexes

Key Indicators Used to Track a Recession

- These are the 4 main indicators that are used by NBER to gauge a recession
- 2007-2009 recession (red line) has been worse than the average of the last 6 recessions (solid black line) for all 4 indicators
  - Dotted lines represent the best and worst of the last 6 recessions
- Declines in employment and income, while yet to recover, have flattened out
- Industrial production and retail sales have both begun to improve from the recession trough

A Look at Key Indicators Underscores the Severity…and Suggests the Consumers Are Not Quite There



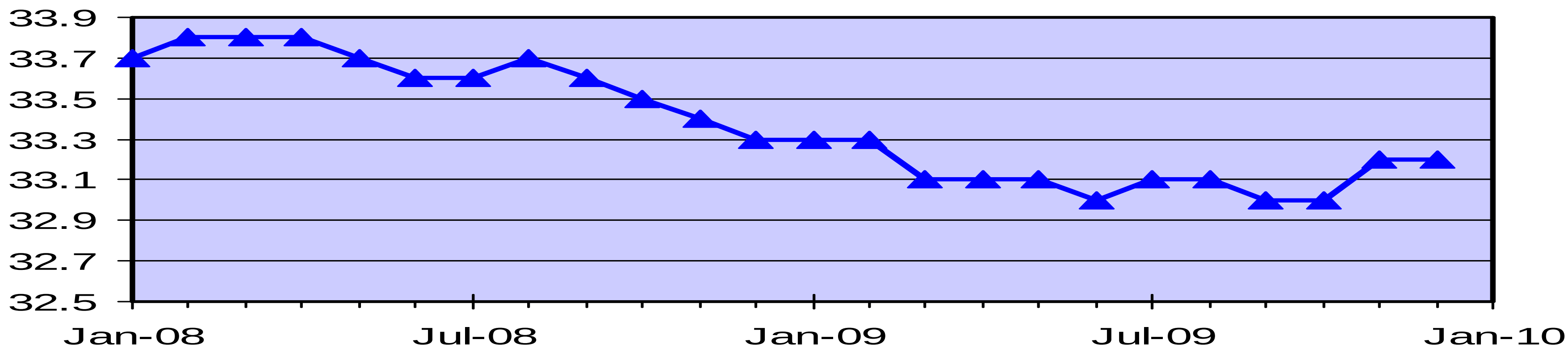
Data last updated 2010-01-08.

National and State Employment Indicators

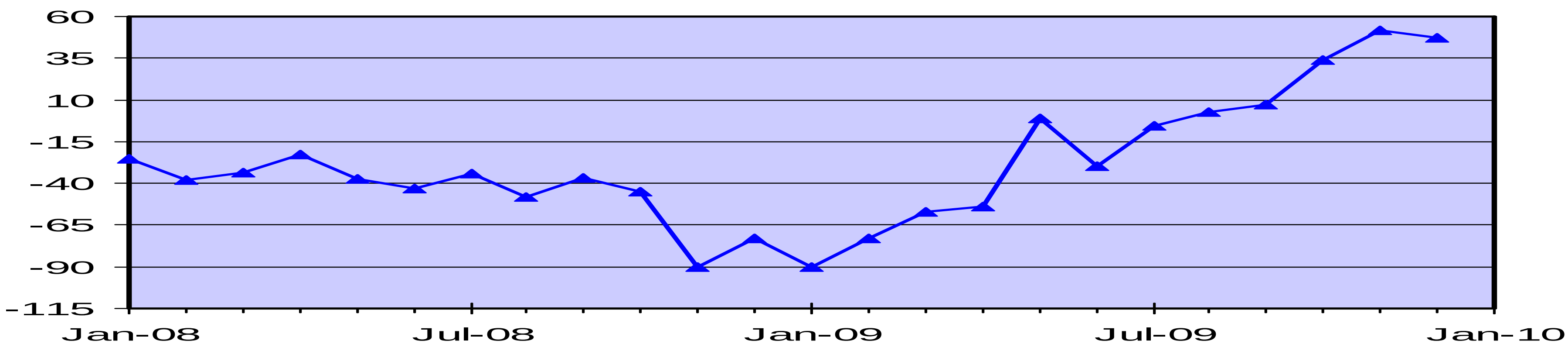
- The national labor market continued to edge downward in December (85,000 job loss), however the rate of job loss is 10% of the rate of losses at the start of 2009
  - Employment losses in the 1st quarter of 2009 averaged 691,000 per month, compared with an average loss of 69,000 per month in the 4th quarter
- Temporary employment added 47,000 jobs in December, since reaching a low point in July, temporary employment has risen 166,000 jobs
- We've also seen a slight increase in the hours worked each week, now at 33.2 hours, a necessary precursor to new hiring
- The national unemployment rate remained unchanged at 10.0% in December
  - Still double the national unemployment rate in December 2007, which was 5.0%
- Virginia's unemployment rate stood at 6.6% in November
  - Growth of 2% over the year – was 4.6% in November 2008
  - Improved over high of 7.3% in June
- While these indicators point to economic improvement going forward, the nature of tax collections is that revenue growth lags coming out of recessions
  - And any growth is measured against a reduced revenue base

Leading Indicators To Watch That Will Signal Job Improvement Are…

Length of Workweek**



Temporary Employment*



*Thousands, monthly change, SA; **Hours, SA

Economic Outlook Assumptions in HB 29/30

- Governor's budget is based on Global Insight's October economic outlook
- Growth rates are based on the Global Insight Standard Forecast which assumes that employment will bottom out in the first half of calendar year 2010 (end of FY 2010)

	FY 2010		FY 2011		FY 2012	
	VA	Nat'l	VA	Nat'l	VA	Nat'l
Employment	-2.3%	-2.9%	1.1%	1.0%	2.1%	2.3%
Personal Income	1.6%	-0.2%	3.0%	3.8%	3.7%	4.6%
Avg Wages/Salaries	2.7%	0.9%	1.9%	2.5%	1.6%	2.0%
Wages/Salaries	0.4%	-2.1%	3.0%	3.5%	3.7%	4.4%

- Recovery assumed to be a prolonged U-shaped one, rather than a V-shaped recovery
  - Lackluster consumer demand and continued high unemployment rates will stifle growth
  - Concern about commercial real estate market another negative factor

Global Insight's Outlook Has Stabilized

- Since the revenue forecast was developed in November, the national economy shows some signs of improvement
- Global Insight's January Outlook has been revised upward for calendar year 2010, although they still do not predict a V-shaped recovery
  - Economy set to grow 2.6% in CY 2010, compared to October forecast of 2.1%
  - Consumption expected to grow 2.1% in CY 2010, after actual decline of 0.6% in 2009
- Any adjustments to Virginia's revenue forecast based on outlook changes would be incorporated in any mid-Session forecast revision

FY 2010: Where Do We Stand Year-To-Date?

- The December revisions to the forecast assume an economic-based revenue contraction of 4.9% in FY 2010 compared to the prior year
  - Adjusting for tax policy actions which will not accrue revenues to the GF until later in the fiscal year (amnesty, AST), the policy-adjusted forecast is -2.7%
- Through November, revenue collections are 6.8% below FY 2009
  - Year-to-date we are about 2% below forecast on an economic basis
- January is a key month for revenue collections:
  - Sales taxes for the Christmas season are remitted in January
  - January 15: Due date for the fourth quarter individual estimated income tax payments

General Fund Revenue Forecast for Fiscal Year 2010

Major Source	Source as a % of Total Revenues	Chapter 781 Official Forecast	Dollar Reduction In Millions	December Forecast Revision	Y-T-D Performance
Withholding	**66.2**	**3.7%**	**-321.0**	**0.2%**	**-3.1%**
Nonwithholding	13.7	1.5%	-532.7	-21.5%	-22.5%
Refunds	**(13.8)**	**-9.2%**	**-203.5**	**2.6%**	**0.3%**
Net Individual	66.1	5.8%	-1,057.2	-5.6%	-7.4%
Sales	20.5	8.7%	-265.4	4.1%	-5.8%
Corporate	4.7	11.7%	-61.8	8.8%	18.2%
Wills (Recordation)	2.0	-5.1%	-14.1	-9.6%	-2.9%
Insurance	1.8	11.0%	-27.6	0.2%	-
All Other Revenue	4.8	7.3%	-$82.4	-0.7%	-19.1%
Total GF Revenues	**100.0**	**6.6%**	**-$1,508.5**	**-2.7%**	**-6.8%**

Note: This reflects the total GF revenue forecast and includes projected revenues from tax amnesty and the accelerated sales tax program as well as other tax policy changes proposed in HB 30.

House Bill 29

FY 2010: Another Downward Revenue Adjustment

- FY 2009 general fund revenue collections fell short of the forecast by approximately $300 million
  - The Governor ordered a reforecast of revenues which was presented on August 19th
- The general fund revenue forecast for FY 2010 was reduced by $1.2 billion in August
- It was reduced by an additional $335.1 million in December
- The combined impact of the FY 2009 shortfall and the August and December re-forecasts creates a revenue shortfall for the remainder of FY 2010 of $1.8 billion

HB 29 Spending Proposals

- Additional net new spending requirements for FY 2010 total $159.5 million
  - This includes $126.6 million in actual “new” spending
    - The remaining amount reflects the backfill of GF support for projects in Chapter 781 funded with ARRA monies redirected to the Compensation Board
  - The largest component of the spending is $80.1 million to address Medicaid program growth

HB 29 – Net Shortfall in FY 2010

FY 2010	$$ in Millions
Chapter 781 Resources	$15,755.40
August Revenue Reforecast	($1,209.10)
December Revenue Reforecast	($335.10)
Revised GF Resources	**$14,211.20**
Chapter 781 Spending	**$15,844.00**
Shortfall	($1,632.80)
Net Additional GF Spending Requirements	$159.50
Shortfall After Spending Adjustments	($1,792.30)

Actions Proposed By Governor To Close The Budget Gap in FY 2010

- To address the current year shortfall and additional spending pressures, the Governor's amendments in the caboose bill include $1.8 billion in budgetary savings strategies
- Approximately $1.35 billion of the savings were included in the Governor's September 2009 reduction plan
- Beyond the savings proposed in September, the Governor has proposed an additional $344.6 million in savings in HB 29
- Major one-time actions used to close the current year shortfall include:
  - Withdrawal of $292.9 million from the Revenue Stabilization Fund
  - $154.7 million by deferring 4th quarter payments to the VRS and lagging employee contributions until July
  - $97.0 million in additional savings from enhanced Medicaid match
  - $68.9 million in additional stimulus funds to backfill K-12 reductions
- Also assumed are net tax policy adjustments totaling $159.1 million
  - The largest is a one-time gain of $144.0 million by collecting 90% of June's sales tax revenues in June
  - Also reflects a $43 million increase in the estimate of revenues generated by the Tax Amnesty program

HB 29: How the FY 2010 Gap Is Addressed

FY 2010	**$$ in Millions**
Shortfall After Spending Adjustments	($1,792.30)
Rainy Day Fund Withdrawal	$292.90
Tax Policy Adjustments	$159.10
Other revenue adjustments (land sale, interest capture, etc.)	$168.10
Governor's September Reduction Plan	$854.30
Additional Targeted Reductions - December	$344.60
Balance Carried Forward to FY 2011	$26.70

House Bill 30

FY 2010-2012 Biennial Forecast

- The revenue forecast for the FY 2010-12 biennium reflects the ripple effect of the $1.5 billion revenue reduction in FY 2010
- The overall GF growth rates for 2010–2012 assume:
  - FY 2011: 3.8% (5.2% without tax policy adjustments)
  - FY 2012: 5.1%
- Even with these growth rates, the total GF revenue forecast for FY 2012 will be below actual FY 2007 revenue collections
- Because of the revenue reductions in FY 2010, the base spending levels included in Chapter 781 exceed available resources in FY 2011 and FY 2012
  - Problem further exacerbated because spending in FY 2010 is propped up by the availability of short-term ARRA funding which phases out before the end of FY 2011

FY 2010-12 Budget Gap

	FY 2011	FY 2012	Biennium
Chapter 781 Base Resources	$15,755.40	$15,755.40	$31,510.80
HB 30 Available Resources (incl. transfers)	$14,883.90	$15,586.70	$30,470.60
Difference	($871.50)	($168.70)	($1,040.20)
Chapter 781 Base Budget	$15,844.00	$15,845.40	$31,689.40
Shortfall Against Base	($960.10)	($258.70)	($1,218.80)
New Spending Proposed	$1,028.40	$1,850.20	$2,878.60
Net Shortfall	($1,988.50)	($2,108.90)	($4,097.40)

How Budget Gap Addressed in HB 30

- Budget reductions
- Tax policy adjustments
- Fee increases
- Proposal to eliminate Personal Property Tax reimbursement

Tax Policy Adjustments Reflected in HB 29 and HB 30

	FY 10	FY 11	FY 12
Accelerated Sales Tax	$144.0		
Tax Amnesty Collection Adjustment	$43.0		
Elimination of Dealer Discount		$60.9	$60.9
Deconform: Fed'l Domestic Production Subtr.		$30.0	$30.0
Partial Advance Fed'l Tax Conformity Date	($14.7)	($6.4)	$2.1
Adjust Withholding - Military Spouses	($14.9)	($9.9)	($9.9)
TOTAL:	**$157.4**	**$74.6**	**$83.1**

Use of Fee Increases

- Two primary types of fee increases proposed in the budget:
  - Fees that are increased in order to fully fund the activity without a general fund subsidy
    - Includes many of the very targeted fees that support specific activities at agencies like Mines, Minerals and Energy and the Department of Health
  - Those used to supplant or backfill reductions
    - $0.18 cent phone line fee is used to fund existing line of duty obligations
    - Proposal to charge an add-on fee to property and casualty insurance policies to help backfill reductions to law enforcement activities

Fee Increases Included in HB 29 and HB 30

	FY 10	FY 11	FY 12
.5% Property/Casualty Insurance		$22.0	$44.0
$0.18 E-911 Line Fee		$18.6	$20.3
$10 Increase Recordation Fee ($10 to $20)		$10.0	$10.0
ABC Markup - 2%	$1.7	$4.0	$4.0
DOLI Boiler Inspection Fee ($20 to $30)		$0.4	$0.4
DOLI $55 Apprenticeship Program Fee		$0.3	$0.3
VDACS - $17.50 Weights and Measures Fee		$2.1	$2.1
DMME - $50 Gas/Oil Well Permit Renewal Fee		$0.3	$0.3
DMME - Coal/Mineral Mine Safety Fee Increase		$0.1	$0.1
Restaurant Permit Fee ($100 to $185) Plan Review ($75 to $95)		$3.0	$3.0
Well & Sewage System (varies, $25-$400)		$0.8	$0.8
Shellfish Sanitation Program per 2008 study		$0.2	$0.2
New Fee for Marina Sewage Facilities		$0.1	$0.1
Vital Records ($12 to $20)		$2.5	$2.5
DSS Child Registry Search Fee ($5 to $7)	$0.1	$0.1	$0.1
Hospitals, Nursing Homes License/Renewal Fees		$0.4	$0.6
TOTAL:	**$1.8**	**$64.9**	**$88.8**

Personal Property Tax Relief Program

- Governor Kaine proposes to eliminate $950.0 million each year in reimbursement to localities for Car Tax relief
- The Governor proposes, through separate legislation, to implement a statewide 1 percent income tax surcharge phased-in over two years
  - The revenues, while not assumed within the budget, when fully implemented are estimated to generate $1.9 billion annually which would flow back to local governments under the existing Personal Property Tax Relief Program formula
  - In order to receive a portion of the revenue, local governments must agree to fully eliminate the property tax on personal vehicles

Personal Property Tax Relief Program

- The $950.0 million appropriation in FY 2011 and 2012 was for tax years 2010 and 2011 respectively
  - Under current law, localities do not receive any reimbursement for a tax year (which begins January 1) until July 1st
  - 37 large localities bill and collect from taxpayers prior to July 1st and account for 45% of total reimbursements - $419.6 million
    - These localities receive their reimbursement between July and November
- Because the Governor has removed the appropriation, this will cause confusion for localities in terms of the amount to bill the tax payer for Tax Year 2010 – the tax year for which the FY 2011 appropriation would apply
  - While the appropriation has been removed from the budget, the law setting forth the reimbursement mechanism is still in effect
  - Localities, absent the restoration of car tax relief, would be able to do a supplemental billing after July 1

Cumulative Impact of Budget Cuts by Secretarial Area: FY 2009-2012

Impact of Cumulative Budget Reductions by Secretariat

- Since the FY 2008-2010 budget was adopted by the 2008 General Assembly (Chapter 879), there have been 5 downward revenue adjustments totaling $5.6 billion
  - This does not include the $1.1 billion Mid-Session reforecast which was incorporated into Chapter 879

How Were Revenue Reductions Addressed During the FY 2008-10 Biennium?

- The FY 2008-10 budget was balanced using a wide variety of strategies, including:
  - Rainy Day Fund: $783 million
  - Capital Outlay reversions: $452 million
  - Capturing of balances: $218.5 million
  - NGF transfers: $224.7
  - Adjustments to fringe benefits: $336.3 million
  - Eliminate salary Increases: $239.8 million
  - Shifting provider payment schedules: $132.5 million
  - ARRA - enhanced FMAP: $1.1 billion
  - Agency budget cuts: $2.0 billion
- Magnitude of agency reductions increased 3-fold between FY 2009 ($452.9 m.) and FY 2010 ($1.5 billion)
  - Ongoing agency reductions represent 37% of strategies used to balance out FY 2010

Balancing the FY 2010-12 Biennium

- The following tables illustrate the cumulative reductions between FY 2009 (as adopted in 2008) & FY 2012 as proposed in HB 30
  - The reductions reflect both cuts that have already been implemented as well as additional cuts proposed in HB 30
- Going forward, functions that have been insulated to a large degree from earlier rounds of reductions will have to be reduced
  - To date, 1/3 of the budget has been cut almost 20%, however this generates only $870 million
  - The 2 largest areas of government – K-12 and HHR – account for 2/3 of the total budget
    - Excluding Medicaid, the rest of HHR has reductions of 11.6%
    - Direct Aid to K-12 has been reduced 8.9%
  - In contrast, Medicaid spending is set to increase by 35.1% between FY 2009 and FY 2012
    - This increase is unrelated to the backfilling of GF for the ARRA FMAP increase which was not contained in the original FY 2009 appropriation
- Closing the shortfall in the upcoming biennium will have to be accomplished largely through the use of more on-going cuts

Cumulative GF Reductions by Secretariat:
FY 2009 (Ch. 879) – FY 2012 (HB 30)

Area	FY 2009	FY 2012	Difference	% Change
Colleges & Universities (excl. financial aid, TAG)	$1,700,243,303	$1,260,739,796	($439,503,507)	-25.9%
Agriculture and Forestry	$51,262,956	$40,843,290	($10,419,666)	-20.3%
Commerce and Trade - Agencies	$109,515,094	$97,895,829	($11,619,265)	-10.6%
Commerce and Trade – Incentives	$35,380,966	$43,935,384	$8,554,418	24.2%
State Library & Museums	$64,561,152	$54,189,200	($10,371,952)	-16.1%
Administration (excludes Comp Board)	$50,467,647	$39,269,745	($16,065,054)	-31.8%
Compensation Board	$658,513,990	$502,817,324	($155,696,666)	-23.6%
Natural Resources	114,632,196	94,326,029	($20,306,167)	-17.7%
Public Safety	1,830,645,257	1,627,829,947	($202,815,310)	-11.1%
Technology	8,676,735	4,384,312	($4,292,423)	-49.5%
Finance Secretariat (excluding DOA transfer payments and the Treasury Board)	$116,421,372	$108,788,066	($7,633,306)	-6.6%
Total:	**$4,740,320,668**	**$3,875,018,922**	**($870,168,898)**	**-18.3%**

Cumulative GF Reductions by Secretariat:
FY 2009 (Ch. 879) – FY 2012 (HB 30)

Area	FY 2009	FY 2012	Difference	% Change
Direct Aid to Public Ed.	$5,723,806,043	$5,216,793,438	($507,012,605)	-8.9%
Department of Education – Central Office	$56,416,667	$50,344,030	($6,072,637)	-10.8%
Health & Human Resources (excl. Medicaid)	$1,554,857,020	$1,375,025,333	($179,831,687)	-11.6%
Medicaid/FAMIS/SCHIP	$2,645,408,462	$3,574,125,602	$928,717,140	+35.11%

Overview: Savings and Spending in HB 30

2010-12 Budget Drivers
Savings Proposed in HB 30

GF $ in Millions	FY 2011	FY 2012	Total
Elimination of personal property tax relief reimbursements	-$950.0	-$950.0	-$1,900.0
Fund SOQ health care costs based on actual participation	-134.2	-135.0	-269.2
SOQ model policy changes	-87.0	-87.3	-174.2
Reduce HB 599 funding	-40.9	-47.6	-88.4
Defer inflation of hospital operating rates	-29.4	-46.6	-76.0
Eliminate state funding of fringe rates for constitutional off.	-30.8	-30.8	-61.6
Require state employees to pay portion of retirement	-18.3	-37.4	-55.7
Reduce income cap for Medicaid long-term care services	-16.9	-36.4	-53.3
Postpone new DD waiver slots	-12.1	-27.1	-39.2
Maintain nursing homes facility rates at FY 2010 level	-11.2	-18.3	-29.5
Eliminate state match for deferred compensation	-11.9	-11.9	-23.8
Reduce home and community waiver provider rates 5%	-18.2	-18.0	-36.2
Subtotal: Major Savings	**-1,360.9**	**-1,446.4**	**-2,807.1**
Remaining Savings Beyond September 2009 Plan	-387.1	-237.1	-624.5
TOTAL – HB 30 Savings Beyond September Plan	**-$1,748.0**	**-$1,683.5**	**-3,431.6**

2010-12 Budget Drivers
New Spending Proposed in HB 30

GF $ in Millions	FY 2011	FY 2012	Total
Medicaid - Backfill ARRA	$376.8	$814.7	$1,191.5
Medicaid Utilization and Inflation	277.4	500.4	777.7
Additional Treasury Board Debt Service	59.0	106.7	165.7
K-12 Re-benchmarking (SOQ, Incentive & Categorical)	62.3	81.5	143.8
Delay Composite Index until FY 2012	0.0	39.0	39.0
State Employee Health Insurance Rate Adjustments	23.6	61.0	84.6
VRS Rates for Teachers	44.6	44.9	89.5
FY 2012 Rainy Day Fund Payment	0.0	40.0	40.0
Backfill Elimination of Local Aid Cuts	50.0	50.0	100.0
Backfill Revised Health Care Fund Forecast	17.4	15.2	32.6
Medicaid Costs at MH/MR Facilities	0.0	31.9	31.9
Low Income Children - Util. and Inflation	14.1	24.5	26.6
VRS Rates for State Employees (excl. of policy changes)	7.2	7.5	14.7
Other GF Spending	96.0	32.9	141.0
TOTAL – New Spending	**$1,028.4**	**$1,850.2**	**$2,878.6**

Details by Secretarial Areas

Health & Human Resources

HB 29: Health & Human Resources

- Net savings of $110.5 million in FY 2010
- $203.2 million GF in savings from Governor's September 2009 reductions
  - Largest item is a $97.0 million GF savings from enhanced federal Medicaid funds due to higher than anticipated unemployment rate
- $20.6 million GF in additional savings measures
  - Recognized enhanced federal matching funds for Medicaid services provided through the Comprehensive Services Act (CSA): $7.5 million
  - Children's Health Insurance – lower FAMIS forecast: $5.2 million
  - Medicaid rate reductions for intensive in-home mental health services, therapeutic behavioral health services and clinical laboratories: $3.7 million
  - Lower foster care caseload & expenditures: $2.8 million
  - Elimination of remaining 100 MR waivers that were to be allocated on January 1, 2010 (the Governor eliminated 100 MR waivers in September 2009): $1.2 million
- $113.2 million GF in increased spending
  - Medicaid: $80.1 million
  - Virginia Health Care Fund: $14.8 million
  - Welfare caseload increase in unemployed parents program: $5.5 million
  - Children's Health Insurance – Medicaid SCHIP: $3.1 million
  - Involuntary mental commitments: $3.1 million
  - Cost to transition Medicaid information system to new vendor: $2.0 million
  - Additional VITA costs for DSS eligibility systems: $1.8 million
  - Additional Medicaid claims costs due to higher enrollment: $1.5 million
  - Child support enforcement operations: $1.4 million

HB 30: Health & Human Resources

HB 30	$ in millions
Maintain Sept 2009 Reductions	($212.9)
Additional Reductions	($483.5)
Spending	$2,116.4
Net Increase	$1,420.0

HB 29/30 Medicaid Funding Request

(GF $ in millions)

Medicaid	FY 2010	FY 2011	FY 2012
Backfill Federal Stimulus Funds		$376.8	$814.6
Medicaid Utilization and Inflation Official Forecast*	$80.1	$277.3	$500.4
Policy Adjustments to Medicaid Forecast*		($56.3)	($98.0)
Adjust funding for Virginia Health Care Fund	$14.8	$17.4	$15.2
Medicaid costs in state mental health treatment centers and intellectually disabled training centers		-	$31.9
Added Medicaid coverage for pregnant women to comply with changes in federal law		$0.7	$0.7
Total Medicaid Funding Request	**$94.9**	**$615.9**	**$1,264.8**
***Official forecast includes policy decisions in the 2010-12 biennium which are rescinded through policy adjustments including inflationary increases to hospital, nursing home and other provider payments, rebasing of nursing home costs, and new slots for MR & DD waivers, pursuant to legislation.**			

Policy Adjustments to Medicaid Forecast

(GF $ in millions)

Policy Adjustments (GF only)*	FY 2011	FY 2012
Defer inflation of hospital payments	($29.4)	($46.6)
Defer inflation of Graduate and Indirect Medical Education hospital payments	($2.1)	($2.6)
Defer inflation of nursing home payments and rebasing	($11.2)	($18.3)
Defer inflation of residential psychiatric facility payments	($1.2)	($2.8)
Defer home health agency inflation rate	($0.2)	($0.4)
Defer inflation of outpatient rehabilitation agency payments	($0.1)	($0.2)
Postpone increase of 400 MR and 67 DD waiver slots	($12.1)	($27.1)
Total Policy Adjustments to Medicaid Forecast	**($56.3)**	**($98.0)**
*A like amount of savings accrues to the federal government as a result of these policy adjustments.		

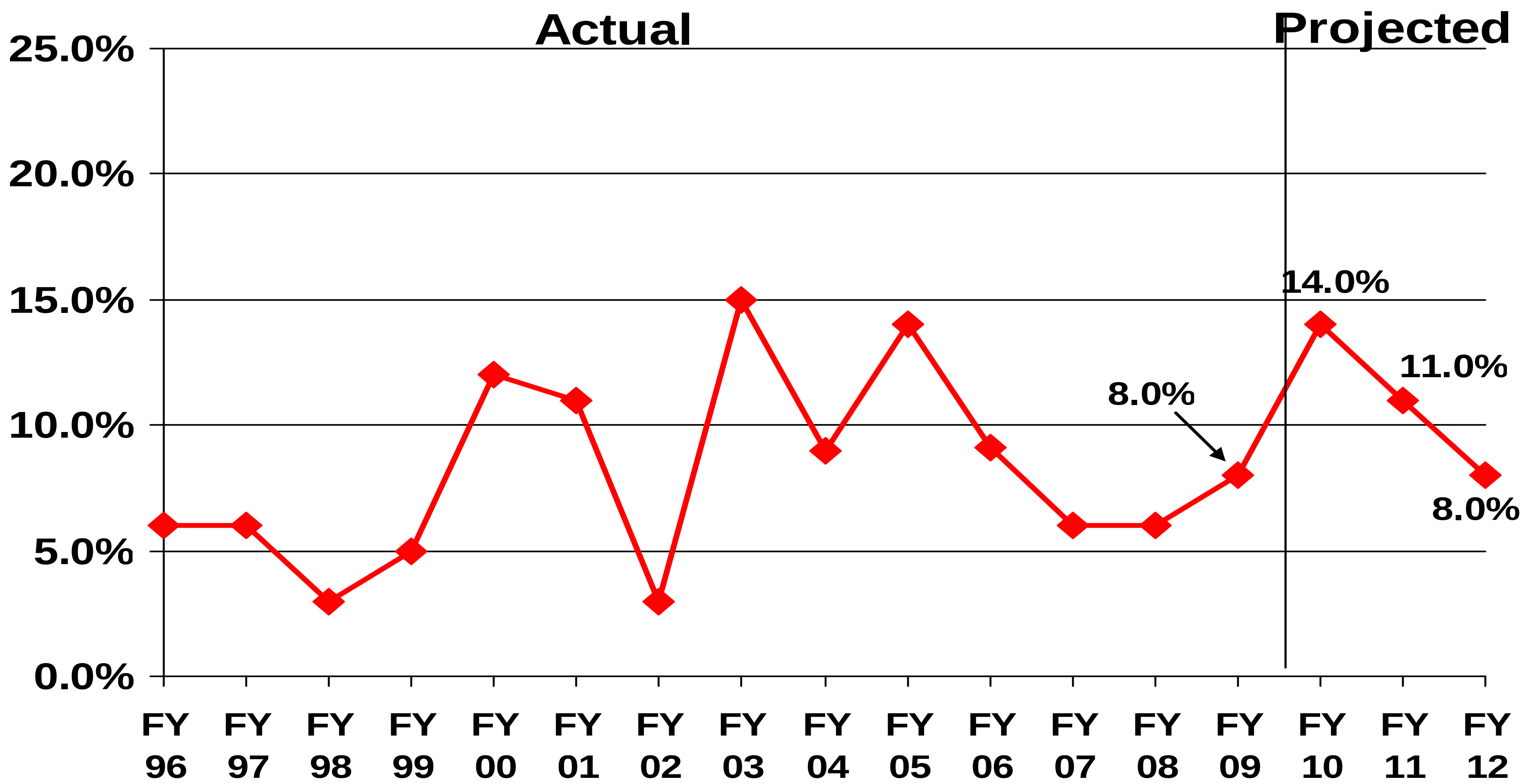
Virginia Medicaid Program

- Program costs are shared by the state and federal government
- Federal share is historically 50%
- ARRA legislation provided a temporary increase in the federal medical assistance percentage (FMAP) for 9 quarters beginning October 1, 2008 through December 31, 2010
  - 6.2% increase in state's FMAP
  - Additional 3-tiered percentage increase based on increase in state's unemployment
- Blended FMAP for FY 2009 was 57.29%
- FMAP for FY 2010 is 61.59%
- FMAP for FY 2011 is 61.59% for first 2 quarters and 50% for last 2 quarters

Medicaid Utilization & Inflation

(all funds)

- Average annual expenditure growth: 8.1% historical, 11% projected



Source: DPB and DMAS Consensus Forecast

Factors in Medicaid Growth

- Increased payments to providers
  - Rebasing and inflation of nursing home and hospital payments required by regulation
  - Increase in capitation rates for managed care organizations recommended by actuary
    - 12% in FY 2011 and 8% in FY 2012
  - 3% increase in personal care rates adopted by 2009 General Assembly
- Increased enrollment for mandated groups
  - Substantial growth in the number of non-disabled adults and children
    - 13.2% projected for FY 2010
  - Smaller growth in aged, blind, and disabled which had previously been flat
    - 3.5% projected for FY 2010
- FY 2010 growth rate artificially high because there was one less Medicaid provider payment cycle in FY 2009
- Official Medicaid forecast is adjusted by policy decisions
  - Postpones funding for 400 new mental retardation and 67 developmentally disabled waiver slots pursuant to HB 2674 (2009 Session)
  - Defers funding for inflationary increases in payments to hospitals, nursing homes, and other selected providers, and defers rebasing of nursing home rates

HB 30: DMAS & Medicaid Savings

Targeted Reductions	(GF $ in millions)
Maintain September 2009 Reductions	($34.9)
Maintain HB 29 Targeted Reductions*	($25.5)
Provider payment reductions	($68.2)
Medicaid eligibility changes – effective 1/1/11	($53.3)
Medicaid service limits & eliminations	($31.2)
Cap enrollment in long-term care services – effective 1/1/11	($17.1)
Administrative reductions & efficiencies	($14.5)
Assessment on intermediate care facilities for the intellectually disabled – effective 1/1/11	($12.7)
Supplant GF with NGF in Virginia Health Care Fund from dealer discount on tobacco	($7.2)
Total	($264.6)
*Includes some provider reductions which are to be implemented in FY 2010. General fund savings from these reductions are higher in HB 30 to reflect annualized savings or additional reductions.	

Hospital Medicaid Payment Changes

Inpatient Hospital Payment Reductions	FY 2011 GF Savings	FY 2011 Federal Savings	FY 2012 GF Savings	FY 2012 Federal Savings
Maintain Sept./Dec. 2009 Reductions:				
Reduce indigent care reimbursements by 3% at state teaching hospitals	$7.2	$0.0	$7.9	$0.0
HB 30 Targeted Reductions:				
Maintain DSH payments at FY 2010 level	$10.0	$10.0	$10.5	$10.5
Impose Stricter DSH Requirements for out-of-state hospitals	$2.5	$2.5	$2.6	$2.6
Eliminate special Indirect Medical payments to hospitals with high-volume NICUs	$0.9	$1.1	$1.0	$1.0
Reduce payments to average Medicaid allowable costs at long-stay hospitals	$0.4	$0.6	$0.5	$0.5
Total HB 29 / HB 30	**$21.0**	**$14.2**	**$22.5**	**$14.6**

Other Provider Payment Changes

Other Provider Payment Reductions	FY 2011 GF Savings	FY 2011 Federal Savings	FY 2012 GF Savings	FY 2012 Federal Savings
Maintain Sept./Dec. 2009 Reductions:				
Reduce rates for intensive in-home services from $70 to $60/hour	$9.3	$11.7	$10.5	$10.5
Reduce clinical lab. rates by 5%	$1.5	$1.9	$1.4	$1.4
Eliminate regular & assisted living payments	$1.5	$0.0	$1.5	$0.0
Reduce rates for therapeutic behavioral services	$0.5	$0.6	$0.6	$0.6
Reduce residential psych.facility rates by 1%	$0.4	$0.5	$0.5	$0.5
HB 30 Reductions:				
5% reduction home & community-based svs. rates	$18.2	$22.9	$18.0	$18.0
Modify reimbursement rates for durable medical equipment	$3.1	$4.0	$3.5	$3.5
Maintain Freestanding Psychiatric Facilities reimbursement at FY 2010 level	$0.3	$0.0	$0.4	$0.0
Total	**$34.8**	**$41.6**	**$36.4**	**$34.5**

Medicaid Enrollment & Eligibility Changes

- Federal stimulus legislation prohibits changes to eligibility procedures through Dec. 31, 2010
- Eligibility Changes – effective January 1, 2011
  - Saves $53.3 million over the biennium by reducing the Medicaid eligibility income limit for individuals applying for long-term care services from 300% to 275% of the federal Supplemental Security Income (SSI) payment level
- Enrollment Changes – effective January 1, 2011
  - Saves $17.1 million GF over the biennium by freezing new enrollments in home and community based waiver programs beginning January 1, 2011
    - Exempts two waiver programs: HIV/AIDS and Technology Assisted

Medicaid Service Changes

- Saves $26.4 million GF over the biennium by reducing Medicaid reimbursement for respite care from 720 to 240 hours per calendar year
- Saves $2.1 million GF over the biennium by adding antidepressants, antianxiety & atypical antipsychotics to the Preferred Drug List
- Saves $1.7 million GF over the biennium by eliminating coverage for podiatry and optometry services for adults
- Saves $0.7 million GF over the biennium by requiring prior authorization of intensive in-home mental health services after one week of beginning services instead of after 12 weeks of beginning services
- $0.3 million GF over the biennium by imposing annual limits on physical, occupational and speech therapy services

Medicaid Service Changes

(GF $ in millions)

	GF Savings	
Service Reductions or Eliminations	**FY 2011**	**FY 2012**
Reduce hours allowed for respite care (from 720 to 240 hours per year)	$(5,195,132)	$(21,238,946)
Add antidepressants, antianxiety & atypical antipsychotics to PDL	$ (989,396)	$ (1,119,227)
Eliminate coverage of podiatry services	$ (430,950)	$ (487,500)
Eliminate coverage of optometry services for adults	$ (344,954)	$ (418,500)
Change prior authorization for Intensive In-home Services	$ (307,312)	$ (347,638)
Limit annual visits for physical, occupational and speech therapy	$ (161,642)	$ (173,711)
Total	**$(7,429,386)**	**$(23,785,522)**

Department of Behavioral Health and Developmental Services

HB 29

- Includes savings of $39.7 million in FY 2010 from implementing the September 2009 reductions
  - Largest item is $12.4 million annually from reductions to CSBs
  - $8.4 million annually from position eliminations in central office, mental health treatment centers and intellectual disability training centers

HB 30

- Base spending reflects ongoing savings of $32.7 million annually from FY 2010 reductions
- Additional reductions of $41.9 million GF over the biennium
  - $17.4 million from mental health facility closures
  - $13.3 from census reductions at training centers
  - $7.0 million from implementation of pharmacy management practices (prior authorization, implementation of a Preferred Drug List, and better use of generics)
  - $2.7 million by eliminating 11 additional central office positions
  - $1.4 million by eliminating waiver start-up funding
- Savings are offset by $4.2 million GF in new spending for acute care in private hospitals for seriously emotionally disturbed children and adolescents

Facility Closures

- Commonwealth Center for Children And Adolescents (CCCA) in Staunton
  - 48 beds and 130 employees
  - Savings of $8.3 million GF annually
  - Offset by costs of $2.1 million annually for private, inpatient mental health services for children needing acute care
  - Offset by WTA costs of $3.3 million GF in FY 2011 for 100 employees
  - 30 FTEs are expected to fill vacancies at WSH
- Southwest Virginia Mental Health Institute (SWVMHI) Adolescent Unit in Marion
  - 16-bed unit and 28 employees
  - Savings of $1.4 million GF annually
  - Offset for costs for community services for children served by unit included in the $2.1 million listed above for the CCCA
  - Offset by WTA costs of $700,000 GF in FY 2011 for 28 employees
- SWVMHI Geriatric Unit
  - 40-bed unit and 50 employees
  - Net savings of $2.0 million GF in FY 2012
  - Agency assumes hiring freeze and turnover will allow them to capture position savings
  - Savings offset by small cost to transfer patients to Piedmont Geriatric Hospital in Burkeville

Census Reductions

- Southeastern Virginia Training Center (SEVTC) in Chesapeake
  - Net savings of $1.0 million GF and $1.0 million NGF over the biennium
    - WTA and transition costs factored in savings
  - Reduction of 32 beds and 50 employees
  - Assumes that a portion of the new community facilities authorized for construction will be complete in FY 2011 and 32 individuals will be transferred to appropriate community housing
- Central Virginia Training Center (CVTC) in Lynchburg
  - Net savings of $1.2 million GF and $1.2 million NGF over the biennium
    - WTA and transition costs factored in savings
  - Reduction of 24 beds and 50 employees
  - Assumes that a portion of the new community facilities authorized for construction will be complete in FY 2011 and 24 individuals will be transferred to appropriate community housing

Department of Social Services

<u>HB 29</u>

- Includes savings of $4.8 million in FY 2010 from September 2009 reductions
  - $1.1 million in savings by reducing funding for chore and companion services for low-income elderly
- Spending increases total $8.7 million GF
  - $5.5 million for welfare caseload increase in unemployed parents program
  - $1.8 million for VITA costs associated with increased use of eligibility systems
  - $1.4 million to offset decline in revenues for child support enforcement operations
    - Collections from noncustodial parents who provide child support payments for children receiving TANF help pay for administrative costs and the cost of providing TANF to these families

<u>HB 30</u>

- Base spending reflects ongoing savings of $4.9 million annually from maintaining FY 2010 reductions
- Additional reductions of $6.0 million GF over the biennium
  - $2.8 million by reducing local DSS training contract with VCU
  - $2.3 million GF and $2.3 million NGF by cutting local DSS funding by 1%
  - $0.9 million in reductions or eliminations of funding for nonstate community organizations
- Spending increases total $20.3 million GF over the biennium
  - $7.3 million for welfare caseload increase in unemployed parents program in FY 2011 only
  - $6.3 million over the biennium to offset TANF cuts for Healthy Families
  - $3.7 million over the biennium for foster care and adoption subsidy payments (slight savings in FY 2011 with increase in FY 2012)
  - $1.8 million over the biennium to offset TANF cuts to local domestic violence programs
  - $1.0 million in FY 2011 only for Virginia Food Banks

Department of Health

HB 29

- Includes savings of $9.6 million from implementing the September 2009 reductions
  - 15% reduction in funding for 3 poison control centers which are consolidated into one beginning on July 1, 2010 saving $1.0 million annually
  - 5% reduction in funding for the Virginia Health Care Foundation, Free Clinics and community health centers with an additional 5% beginning July 1, 2010 totaling almost $1.0 million annually
  - Elimination of 6 local health district pharmacies and 10 positions saving $500,000 annually
  - Transfers $1.0 million (10%) of cash balance in the Trauma Center Fund in FY 2010, increasing to $2.4 million each year beginning July 1, 2010
  - Transfers $1.0 million annually from the Rescue Squad Assistance Fund to the State Police for med-flight operations beginning in FY 2010 and continuing into the 2010-12 biennium

Department of Health

HB 30

- Base spending reflects ongoing savings of almost $8.0 million annually from FY 2010 reductions
- Additional reductions of $15.8 million over the biennium, of which most is from fee increases used to supplant general fund amounts for programs
  - $7.6 million from increases in Environmental Health fees (restaurants, hotels, campgrounds summer camps, shellfish sanitation, and marinas)
  - $5.0 million from increases in Vital Records fees ($12 to $20, plus a $9 fee for expedited requests) to supplant general fund in the Office of the Chief Medical Examiner
  - $1.0 million from increases in Licensing and Certification fees for nursing homes, hospitals, home care centers and hospices
  - $1.4 million to contract for lab services in local health districts
  - $0.4 million to eliminate five health district case management projects for obstetrical services and reduce grants for AIDS services and education
- Spending totals $8.6 million GF
  - $5.2 million over the biennium to restore funds for local drinking water improvement projects through the Safe Drinking Water Act which were supplanted with ARRA funds in FY 2010
  - $1.9 million over the biennium for workload increases in the Office of the Chief Medical Examiner to comply with the U.S. Supreme Court ruling in Melendez-Diaz case
  - $1.4 million to offset TANF cuts to CHIP of Virginia

Department of Rehabilitative Services

HB 29:

- Includes $2.8 million GF in savings from implementing the September reductions

HB 30:

- Base spending maintains annual savings of $3.5 million GF from continuing FY 2010 reductions
- Additional reductions of $622,001 GF over the biennium
  - $232,139 from reducing independent living funds
  - $389,862 from reducing funds for brain injury services

Public Education

HB 29: Direct Aid – Technical Updates

- Total proposed FY 2010 budget equals $4.8 billion GF and $1.7 billion NGF (Lottery, literary and federal) for a total decrease of $550.1 million GF and an increase of $300.9 million NGF relative to the current adopted budget for FY 2010 in Chapter 781
  - Direct Aid to Public Education represents about a third of the general fund budget
- Technical updates result in net decrease of $30.7 million GF
  - Updates for student enrollment changes: net increase of $8.9 million
    - March ADM projection increase of 1,806 students: $14.5 million increase
    - Update to 2008 census count to correct data submission error: $392,000 increase
    - Remedial Summer School for actual enrollment: $3.1 million decrease
    - English as a Second Language for actual enrollment: $2.9 million decrease
  - Sales Tax estimated net adjustment from August reforecast: $37.6 million decrease
    - Sales tax decrease of $85.3 million
    - Offsetting general fund increase of $47.7 million to backfill Basic Aid
  - Incentive & Categorical program adjustments: $1.9 million decrease
  - Updates to Lottery-based programs result in net savings of $11.6 million NGF which is added into the balancer account, Support for School Construction, Operating costs and Textbooks, within the lottery accounts

HB 29: Direct Aid – Policy Changes

- The introduced budget included a number of proposed policy changes that decrease funding by a net of $218.3 GF in FY 2010
  - Eliminate textbook funding for a savings of $79.6 million GF
  - Suspension of the 4th quarter payment for retirement related costs for a savings of $69.2 million GF
    - Proposed language encourages school divisions to use a portion of or all of the estimated $140 million in local savings from the suspension of 4th Qtr payment to purchase textbooks and instructional materials
  - Remove nonpersonnel inflation factors and related calculated costs for a savings of $61.3 million GF
    - Proposes to carry this policy change through to the 2010-2012 biennium
  - Delay 4th quarter payments for state operated programs until the beginning of next fiscal year for a savings of $8.2 million GF

HB 29: Direct Aid – Other Changes

- Supplant federal stimulus ARRA funds for a savings of $219 million GF
  - Governor's September reduction plan: $68.9 million
  - An additional $150.1 million
- Use Literary funds for a portion of VRS retirement payments for a savings of $72 million GF
  - Governor's September reduction plan: $55 million
  - An additional $17 million
- Transfer Academic Year Governor's School to Lottery and School Breakfast to Incentive account due to $9.9 million in one-time funding in unrealized Lottery revenues from FY 2009
- Reduce supplemental education programs by 10%: $300,000 decrease
- Carry over language from FY 2009 is continued into FY 2010 which allows localities to carryover into FY 2011 any remaining state fund balances available

HB 29: Central Office and VSDB

- The introduced budget includes a $3.0 million savings in the Department of Education's Central Office
  - Governor's September Reduction Plan:
    - Captures FY 2009 balances of $1.2 million
    - Personnel actions include holding 5 classified positions vacant, laying off one classified and eliminating one wage position for a total savings of $636,000
    - Transfer costs of PASS and academic review programs, and five wage positions to nongeneral funds for a net savings of $890,000
    - Reduces Project Graduation on-line tutorials and operating costs in central office for a total savings of $268,000
- Virginia School for the Deaf and Blind (VSDB):
  - Governor's September Reduction Plan:
    - Captures FY 2009 balances of $500,000
    - Reduces hourly staff and operating costs for a $500,000 savings

HB 30: Direct Aid

- The Governor's proposed 2010-12 biennial budget for Direct Aid to Public Education totals $10.2 billion GF and $2.9 billion NGF (Lottery, literary and federal)
  - FY 2011: $5,030.1 million GF and $1,518.9 million NGF
  - FY 2012: $5,216.8 million GF and $1,405.5 million NGF
  - Collectively, the resulting total biennial budget has a net decrease of $249.3 million for all funds, or 1.9% relative to the adopted FY 2010 budget in Chapter 781 of $10.6 billion GF and $2.8 billion NGF
    - Total decrease of $392.9 million GF
    - Total increase of $143.6 million NGF
- Public Education represents about 34% of the proposed general fund biennial operating budget

2010-2012 Rebenchmarking

- Rebenchmarking process occurs during the fall of odd-numbered years in preparation of the introduction of the ‘big budget’ bill’ – HB30
- It is a technical process of updating costs and does not involve any changes to policy or to the funding methodology other than those already approved and directed by the legislature
  - FY 2010 from the Chapter 781 budget will serve as the base year funding for determining the 2010-2012 rebenchmarking costs
- The amount of funding for the SOQ programs is primarily determined by the costs for instructional staffing & support ratios that are funded on either a codified standard or on a prevailing statewide cost basis
  - SOQ accounts represent just over 90% of state Direct Aid funding – of which 80% goes to personnel costs
- Funding for direct aid was routinely updated to reflect technical changes for budget data: such as student membership, base-year expenditures, composite index, sales tax, VRS rate revisions, and use of Literary and Lottery revenues

Rebenchmarking

- Major rebenchmarking SOQ Components:
  - Changes in student enrollment
    - Increases in March 31st Average Daily Membership (ADM) from original FY 2010 ADM of 1,203,367
      - FY 2011: 9,134 additional students; to 1,214,133; 0.76% growth
      - FY 2012: 20,230 additional students; to 1,223,597; 1.68% growth
  - SOQ positions' funded prevailing salary adjustments – calculated from average salaries reported from the school divisions
    - Elementary teachers: from $44,337 to $43,904, or (1.0%)
    - Secondary teachers: from $46,230 to $46,090, or (0.3%)
    - Other SOQ instructional positions increased by an average of 0.2%
      - Principals, asst. principals, instructional assistants
  - Benefits rate changes
    - VRS: increased from 8.81% to 10.49%
    - Retiree Health Care Credit: decreased from 1.04% to 1.01%
    - Group Life: increased from 0.27% to 0.33%
    - Health Care: increased from $5,188 to $5,793

Rebenchmarking (continued)

- Major rebenchmarking SOQ Components:
  - Local Composite Index (LCI)
    - Changes in local ‘ability to pay’ as calculated by the funding formula:
      - True property/real estate values; weighted at 50%
      - Adjusted gross income; weighted at 40%
      - Sales tax; weighted at 10%
    - Base year data: from 2005 to 2007
    - Changes at local level are measured against statewide level changes
    - 97 increased, 31 divisions declined, and 8 remained unchanged
  - Textbooks – based on school division expenditures
    - Decrease from $113 to $76, or 32.7%
  - Annual School Report (ASR) cost data
    - Total money spent on public education from all funding sources (local, state & federal)
    - Base year data: from 2006 to 2008

DOE’s Rebenchmarking Calculations

2010-2012 Rebenchmarking Update Costs	FY 2011 ($ in millions)	FY 2012 ($ in millions)	Total ($ in millions)
Base-Year Related Expenditures from ASR	$77.3	$71.7	$149.0
Student Enrollment & Participation Projections	47.6	60.7	108.3
Benefits Rates	45.5	45.7	91.2
Transportation	30.3	43.0	73.3
Composite Index Changes	32.7	39.0	71.7
Health Care Premiums	35.3	35.5	70.8
Federal Revenue Deduct	2.2	2.1	4.3
Incentive & Categorical	0.0	2.9	2.9
Net Sales Tax	(24.5)	(8.7)	(33.2)
Funded Prevailing Instructional Salaries	(18.0)	(17.9)	(35.9)
Textbooks – prevailing costs	(25.2)	(25.3)	(50.5)
Reset and Update the Inflation Factors	(89.3)	(89.4)	(178.7)
Total Rebenchmarking Costs	**$113.9**	**$159.3**	**$273.3**

HB 30: Proposed Policy Changes

- The Governor's introduced biennial budget includes a number of strategies that change current methodology practices and saves $482.4 million GF
  - Required local effort for matching funds will also decrease and schools will recognize related savings

Summary of Changes	FY 2011	FY 2012	Biennium
Health Care Premiums	(134.2)	(135.0)	**(269.2)**
Exclude certain ASR expenditures	(87.0)	(87.3)	**(174.3)**
Delay Composite Index update to FY2012	(29.5)	0.0	**(29.5)**
Remove Nonpersonnel Inflation Factors	(4.7)	(4.7)	**(9.4)**
	(255.4)	**(227.0)**	**(482.4)**

Policy / Methodology Changes

- Adjusts the Health Care Premium costs to reflect actual prevailing weighted average for division-level participation percentages for each of the plans reported: employee, employee + 1 and family for a total savings of $134.2 million in FY 2011 and $135 million in FY 2012
- Excludes certain object codes from reported annual expenditures used for calculating a portion of nonpersonnel funding in basic aid: saves a total of $87 million each year
  - Capital Outlay Replacement– such as facilities, machinery, equipment, furniture, vehicles, etc that are capitalized and cost over $5,000; excludes technology related items: saves $33.5 million each year
  - Benefit Payments – accrued annual and sick leave payouts to employees leaving a school division, and pension/retirement plan specific to a locality, such as a early retirement plan, and any contract buy-outs: saves $33.4 million each year
  - Miscellaneous – any extraneous costs not reported in any other expenditure classification or category: saves approximately $20.2 million each year
- Defers the update to 2010-2012 composite index until FY 2012: saves a net of $29.5 million in FY 2011
- Continues policy proposed for FY 2010 that removes the update to the inflation factors in SOQ model: saves $4.7 million each year

Use of Nongeneral Funds (NGF)

- Use NGF sources to supplant $143.4 million GF
  - The Governor’s introduced budget includes using the remaining $126.4 million of the federal state fiscal stabilization fund (SFSF) in FY 2011 to supplant an equal amount of basic aid payments
  - Proposed action includes increasing the transfer from the Literary Fund to support a portion of the teacher retirement payments by $2 million in FY 2011 and $15 million in FY 2012
  - The use of NGF in lieu of GF does not impact the projected entitlements that are allocated to school divisions

Other Saving Strategies

- Technical accounting adjustments for one-time savings, program reductions and the closure of two state operated facilities for a net savings of $41.4 million GF and $118.4 million NGF
  - Eliminates Virginia Public School Authority (VPSA) technology grant program in the Literary Fund: saves $59.2 million NGF each year
  - Technical change to reflect the distribution of the budgeted benefit rate savings from the Central Appropriations account totaling $18.2 million GF each year
  - Reduces funding by $1.9 million GF each year for State Operated Programs' (SOP) payments for the planned closure of two mental health facilities in the end of FY 2010
    - Southwestern Virginia Mental Health Institute's Adolescent Unit
    - Commonwealth Center for Children and Adolescents
  - Decreases certain programs by 15%: saves $445,000 GF each year
    - Incentive: Clinical Faculty and Career Switcher Mentoring
    - Categorical: Virginia Educational Technology Alliance
    - Supplemental Education programs: Career and Technical Education Resource Center, JVG, Project Discovery, Southside Va. Technology Consortium, SW Va. Education Consortium, Va. Career Education Foundation, Van Gogh Outreach, and Great Aspirations Scholarship

New Spending

- The introduced budget includes an additional $500,000 each year for the National Board Certification bonuses for eligible teachers
  - Proposed allocation equals $4,970,000 each year
  - Initial first year $5,000 bonus:
    - FY 2011: 234 teachers
    - FY 2012: 245 teachers
  - Remaining nine years $2,500 bonus per year:
    - FY 2011: 1,463 teachers
    - FY 2012: 1,697 teachers

Higher Education

HB 29: Higher Education Institutions

- Reduces general fund support by an additional $46.7 million in FY 2010 to meet budget shortfall
  - The reductions were generally 3.6% for all four-year institutions and 3.1% for two-year institutions
  - This is in addition to the 15 percent reductions already incorporated in Chapter 781
- GF reductions cannot go below FY 2006 funding levels based on federal stimulus legislation requirements
- $75.0 million in allocations from the federal stimulus (ARRA) education fund are provided to offset reductions contained in Chapter 781 and the additional reductions proposed in HB 29
  - The table on the next page shows the proposed distribution of ARRA
- Withholds interest earnings on auxiliary enterprise fund balances - $5.4 million NGF
- Adjusts E & G Interest Earnings
  - Adds $132,692 in FY 2010 for interest earnings which were part of the financial incentives tied to restructuring goals

Institution	Chapter 781 FY 10 Reductions	HB 29 Additional Reductions	Total FY 2010 Reductions To Be Offset By ARRA	HB 29 Proposed ARRA Offset	Percent Restored By Stimulus
Christopher Newport Univ	(3,584,531)	(851,385)	(4,435,916)	2,531,692	57.1%
College of William & Mary	(3,915,957)	(1,442,974)	(5,358,931)	2,188,188	40.8%
George Mason University	(11,199,089)	(4,171,140)	(15,370,229)	6,203,142	40.4%
James Madison University	(7,493,414)	(2,347,055)	(9,840,469)	4,648,818	47.2%
Longwood University	(3,252,932)	(836,798)	(4,089,730)	2,221,989	54.3%
Univ of Mary Washington	(2,450,364)	(715,197)	(3,165,561)	1,579,107	49.9%
Norfolk State University	(4,341,824)	(1,241,942)	(5,583,766)	2,826,052	50.6%
Old Dominion University	(13,123,727)	(3,375,864)	(16,499,591)	8,965,969	54.3%
Radford University	(5,626,480)	(1,521,624)	(7,148,104)	3,761,002	52.6%
University of Virginia	(11,004,328)	(4,569,031)	(15,573,359)	5,559,100	35.7%
Univ of Virginia at Wise	(1,661,039)	(460,396)	(2,121,435)	1,097,609	51.7%
Va Commonwealth Univ	(21,081,348)	(5,973,081)	(27,054,429)	13,798,668	51.0%
Virginia Military Institute	(1,275,152)	(422,553)	(1,697,705)	765,001	45.1%
Virginia State University	(1,340,033)	(799,869)	(2,139,902)	397,690	18.6%
Virginia Tech	(17,777,647)	(5,185,234)	(22,962,881)	11,479,961	50.0%
Richard Bland College	(352,442)	(162,291)	(514,733)	155,539	30.2%
Va Community Colleges	(19,916,534)	(10,861,417)	(30,777,951)	6,836,891	22.2%
Va Inst. of Marine Science	(677,590)	(662,682)	(1,340,272)	0	0.0%
Virginia Tech Extension	0	(1,074,931)	(1,074,931)	0	0.0%
Virginia State Extension	0	(25,748)	(25,748)	0	0.0%
Grand Total	**(130,074,431)**	**(46,701,212)**	**(176,775,643)**	**75,016,418**	42.4%

HB 30: Higher Education Institutions

- Additional GF reductions to colleges, universities, extensions and VIMS in FY 2011 were limited by the ARRA legislation requirements to maintain state support at FY 2006 levels
- Therefore, the proposed FY 2011 GF budget simply maintains the HB 29 reduction levels
- $198.3 million in allocations from the federal stimulus (ARRA) education fund are provided to offset reductions contained in FY 2011
  - The table on the next page shows the proposed distribution of ARRA for FY 2011

Institution	Continue Chapter 781 Reductions	HB 30 Proposed FY 2011 Reduction	Total FY 2011 GF Reduction Impact	Proposed FY 2011 Stimulus Allocation	Percent Restored By Stimulus
Christopher Newport Univ	(3,584,531)	(851,385)	(4,435,916)	3,505,271	79.0%
College of William & Mary	(3,915,957)	(1,442,974)	(5,358,931)	6,884,042	128.5%
George Mason University	(11,199,089)	(4,171,140)	(15,370,229)	19,894,643	129.4%
James Madison University	(7,493,414)	(2,347,055)	(9,840,469)	11,292,799	114.8%
Longwood University	(3,252,932)	(836,798)	(4,089,730)	3,305,208	80.8%
Univ of Mary Washington	(2,450,364)	(715,197)	(3,165,561)	3,406,157	107.6%
Norfolk State University	(4,341,824)	(1,241,942)	(5,583,766)	3,915,635	70.1%
Old Dominion University	(13,123,727)	(3,375,864)	(16,499,591)	12,664,227	76.8%
Radford University	(5,626,480)	(1,521,624)	(7,148,104)	6,060,300	84.8%
University of Virginia	(11,004,328)	(4,569,031)	(15,573,359)	21,892,717	140.6%
Univ of Virginia at Wise	(1,661,039)	(460,396)	(2,121,435)	1,702,856	80.3%
Va Commonwealth Univ	(21,081,348)	(5,973,081)	(27,054,429)	23,160,921	85.6%
Virginia Military Institute	(1,275,152)	(422,553)	(1,697,705)	1,940,755	114.3%
Virginia State University	(1,340,033)	(799,869)	(2,139,902)	3,314,396	154.9%
Virginia Tech	(17,777,647)	(5,185,234)	(22,962,881)	20,892,536	91.0%
Richard Bland College	(352,442)	(162,291)	(514,733)	701,736	136.3%
Va Community Colleges	(19,916,534)	(10,861,417)	(30,777,951)	45,796,200	148.8%
Va Inst. of Marine Science	(677,590)	(662,682)	(2,905,657)	3,076,343	105.9%
Virginia Tech Extension	0	(1,074,931)	(3,382,925)	4,756,374	140.6%
Virginia State Extension	0	(25,748)	(52,290)	140,205	268.1%
Grand Total	**(130,074,431)**	**(46,701,212)**	**(180,675,564)**	**198,303,321**	109.8%

HB 30: Higher Education Institutions

- In FY 2012 the federal reduction limits are lifted and the proposed budget would reduce higher education institutions by an additional $150.1 million GF over FY 2011 levels
  - 15% cut at 4-year institutions
  - 13% cut at 2-year institutions
  - No ARRA funds are available in FY 2012
- Under this proposed budget, higher education institutions would experience reductions in general operating support of more than $440 million or about 27 percent by FY 2012 when compared to the original FY 2009 budget passed by the 2008 Session (Chapter 879)

HB 30: Additional Actions at Higher Education Institutions

- New Spending
  - Proposes $185,673 GF in FY 11 and $289,991 GF in FY 12 at Longwood University for the nursing program expansion
  - Proposes $300,000 GF each year at VSU for manufacturing and logistics program expansion
  - Proposes $250,000 GF in FY 2012 at Mary Washington for operating costs for the new Dahlgren facility
- Other Reductions
  - Reduces base budget at UVA-Wise $461,359 GF each year offset by a similar increase in nongeneral funds
  - Transfers $7.2 million NGF each year from auxiliary enterprise interest earnings
  - Transfers $18.8 million from auxiliary enterprise fund balance reduction of 5%
    - 59% of the amount transferred is derived from four institutions (UVA, JMU, Radford & GMU)

EVMS, Higher Education Centers & SCHEV

- HB 29:
  - Reduces general fund support by an additional $2.7 million in FY 2010 over Chapter 781
  - Reductions were generally 10% to 15% over the 8% reductions already contained in Chapter 781
- HB 30:
  - Maintains the reductions proposed in HB 29 of $2.7 million GF each year
  - Targeted reduction of an additional $306,948 GF each year at Danville research institute
  - Transfers $568,910 GF each year from the TAG program to EVMS as graduate financial aid
  - Under this proposed budget, EVMS, higher education centers and SCHEV would experience reductions in general operating support of about $5.6 million or about 13% by FY 2012 when compared to the original FY 2009 budget passed by the 2008 Session (Chapter 879)
    - These reductions range from about 32% at SCHEV to 4% at EVMS

State Library and State Museums

- HB 29:
  - Reduces general fund support by an additional $6.2 million in FY 2010 over Chapter 781
  - Reductions were generally 10% over the 11% reductions already contained in Chapter 781
- HB 30:
  - Maintains the reductions proposed in HB 29 of $6.2 million GF each year
    - State Library reductions now contain a larger reduction in aid to local libraries of about $870,000 each year while other programs were restored
  - Additional targeted reductions of $363,000 each year at Jamestown and $537,000 in FY 2012 at the State Library
  - Under this proposed budget, the State Library and State Museums would experience reductions in general operating support of about $10.4 million or about 16% by FY 2012 when compared to the original FY 2009 budget passed by the 2008 Session (Chapter 879)
    - These reductions range from about 31% at JYF to 5% at VMFA
    - VMFA reduction level is offset by funding provided for new facility operations

Compensation and Retirement

HB 29: VRS Savings Actions

- Assumes savings from suspending the 4th quarter contributions to VRS programs

($ in Millions)

Program	GF Savings	NGF Transfers	Total Savings
State Employee Retirement – Employer Share	($36.1)	$18.2	($54.3)
Record Payment of Employee Share in July	(19.8)	12.8	(32.6)
State Employee - Other Programs	(13.2)	10.5	(23.7)
Teachers Retirement – Employer Share	(51.3)	0.0	(51.3)
Teachers - Other Programs	(17.9)	0.0	(17.9)
Constitutional Officers	(7.8)	0.0	(7.8)
Total All Programs	($146.1)	$41.5	($187.6)

- Approximately 2/3s of the NGF transfers are from higher education special funds

HB 29 - Other Compensation Savings

- Assumes savings of $4.0 million from suspending the state match for the Deferred Compensation program for the 4th quarter
  - Currently the Commonwealth matches 50% of an employee's contribution up to $20 per pay period
- HB 29 assumes savings of $18.5 million from implementing a one day furlough of state and state supported local employees
  - Savings of $9.4 million GF from state employees
  - Savings of $1.5 million GF from removing funding for one day of salary for state-supported local employees
  - Revenue transfers of $7.6 million NGF

HB 30 - VRS Contribution Rates

- Updates contribution rates for VRS contributions based on:
  - June 2009 actuarial valuation
  - Assumptions of a 30 year amortization period, 8% rate of return and 3% cost of living adjustment (identical to Chapter 781)
- Assumes 2 policy changes for employees hired on or after July 1, 2010
  - Increases the early unreduced retirement age from 50 to 55
  - Modifies the formula for the cost-of-living adjustment to guarantee the first 2% and one-half of each additional percent up to 6%

($ in Millions)

Program	FY 2011	FY 2012	Total
State Employee Retirement	$6.8	$7.1	$13.9
State Employee Other Programs *	($1.0)	($1.0)	($2.0)
Teachers Retirement	$44.6	$44.9	$89.5
Teachers Other Programs	$0.9	$0.8	$1.7
Total All Programs	$51.3	$51.8	$103.1

* Assumes revenue transfers from NGF sources of $4.3 million in FY 2011 and $4.4 million in FY 2012 from savings as a result of decreased contribution rates

Proposed VRS Rates

Program	2010 Rate	HB 30
State Employee Retirement	6.26%	6.58%
SPORS	20.05%	21.16%
VaLORS	14.23%	13.09%
Judicial Retirement System	34.51%	42.58%
Teachers Retirement	8.81%	10.49%
State Employee Health Ins. Credit	1.00%	0.99%
Teacher Health Ins. Credit	1.04%	1.01%
VSDP	1.00%	0.66%
State Employee Life Insurance	0.79%	1.02%
Teachers Life Insurance	0.27%	0.33%

HB 30 – VRS Employee Contributions

- Requires state employees to contribute 1% of their salary in FY 2011 and 2% in FY 2012 towards their retirement cost
  - FY 2011: Savings of $18.3 m. GF and $12.0 m. NGF
  - FY 2012: Savings of $37.4 m. GF and $24.6 m. NGF
- Requires state employees in ORPs to contribute towards their retirement cost at the same rate
  - FY 2011: Savings of $3.4 m. GF and $3.9 m. NGF
  - FY 2012: Savings of $7.0 m. GF and $8.0 m. NGF
- Includes language giving school boards and localities the option of requiring their employees to contribute towards the cost of their retirement
  - Allows each school board or locality to set the employee contribution at any rate up to 5%

HB 30: Other Compensation Savings

- Assumes savings of $33.9 million GF in FY 2011 from recording the 4th quarter payments to the VRS in July instead of June
- Includes savings of $29.1 million GF each year from eliminating the payments to constitutional officers for VRS retirement and group life insurance
- Continues savings, proposed in HB 29, from suspending the state match for the Deferred Compensation program
  - GF savings of $11.9 million each year
  - Revenue transfers of $7.0 million each year from NGF sources

WTA/VRS Language Amendment

- Both HB 29 and HB 30 include language giving schools board and localities the option of providing severance benefits, identical to those authorized under the Workforce Transition Act, to employees that are subject to layoffs
  - Program would be implemented by passage of local resolution
  - Language includes no provision for local/employee payment of costs associated with the expanded liability
  - Any cost incurred by the VRS from individuals taking early retirement though this program would be absorbed by the VRS and built into future contribution rate calculations

HB 30 – Employee Health Insurance

- Includes funding for a 5.6% increase in state employee health insurance premiums effective July 2010 and an additional 10% increase effective July 2011
  - Costs $20.3 million in FY 2011 and $57.5 million in FY 2012
  - Proposed premiums assume savings from two program modifications
    - Require maintenance drugs to be obtained through a maintenance drug network (savings of $1.8 m. GF each year)
    - Elimination of coverage for non-sedating antihistamines and ED drugs (savings of $1.2 m. GF each year)
- Proposes funding of $3.1 million GF in FY 2011 and $3.7 million GF in FY 2012 to reflect an increase in Worker's Compensation Insurance premiums

Line of Duty Funding

- HB 30 proposes an additional 18 cents per month in the E-911 surcharge paid by cell phone users
  - This is estimated to generate $18.6 million NGF in FY 2011 and $20.3 million NGF in FY 2012
- The revenues are deposited into the Line of Duty Fund and used to supplant GF support for the benefits as well as to address the program's $199.0 million unfunded liability

	($ Millions)		
Program	**HB 29**	**HB 30**	**Total**
Additional E-911 surcharge	$0.0	$18.9	$18.9
Balances - Line of Duty Trust Fund	2.2	0.0	2.2
VRS Retiree Health Credit	1.2	0.6	1.8
VRS Group Life	0.5	0.6	1.1
Total Supplant All Sources	$3.9	$20.1	$24.0

Public Safety

HB 29: Public Safety

- The majority of the proposed amendments for Public Safety reflect the Governor’s 2009 budget reduction plan
  - $54.6 million in agency reductions, including elimination of 598 positions
    - Positions primarily associated with closing Brunswick and Botetourt Correctional Centers and Natural Bridge Juvenile Correctional Center
  - Includes $16.5 million in technical reductions to HB 599 payments from general fund revenue reductions

HB 30: Public Safety Overview

- The total biennial GF appropriation for Public Safety is $4.3 billion
  - This is a reduction of $490.4 million, representing a 10.3 percent reduction from Chapter 781
    - Maintains $109.3 million in reductions from continuation of the Governor's September reductions
- The total biennial NGF appropriation is $1.9 billion
  - This is an increase of $146.8 million, or 8.5 percent
    - Included in these increases are $68.5 million in nongeneral funds used to supplant GF spending (47 percent)

HB 30: Sheriffs and Regional Jails

- Includes a net reduction of $73.9 million GF in FY 2011 and $84.4 million GF in FY 2012 for sheriffs and regional jails
  - These reductions include about $11.2 million GF each year from maintaining the September 2009 across-the-board reductions
- Additional GF spending largely limited to jail staffing and per diems:
  - $5.9 million per year to annualize staffing for jails that opened during FY 2010
    - Continues funding for facilities only open part of FY 2010
  - $2.3 million in FY 2011 and $2.4 million in FY 2012 to provide staffing for new or expanded jails
    - Includes Pittsylvania County and Rappahannock Regional Jail expansions, and reconstructed Patrick County Jail
  - $1.6 million in FY 2011 and $878,000 in FY 2012 to provide for housing state-responsible inmates in local and regional jails

HB 30: Sheriffs and Regional Jails

- Policy-related reductions total $43.1 million in FY 2011 and $53.0 million in FY 2012, including:
  - Reducing jail per diem payments for local-responsible and out-of-compliance state-responsible offenders
    - Local-responsible offender payments reduced from $8 to $4
    - Out-of-compliance state-inmate payments reduced from $14 to $8
  - Reducing the ratio of law enforcement officers to local population from 1:1,500 to 1:2,000
    - Localities would have to provide the funding to maintain 1:1,500 ratio or officers could be laid off
  - Early release of non-violent offenders from prison
  - Supplanting law enforcement and courtroom security funding with proceeds from the Virginia Public Safety Fund
    - Supplant totals $8.3 million in FY 2011 and $21.7 million in FY 2012
- Other reductions affecting sheriffs and regional jails
  - $24.4 million GF each year from the elimination of state support for retirement and life insurance premiums
  - $3.6 million GF each year from suspension of funding for sheriffs' career development programs

HB 30: Department of State Police

- Proposes net reductions of $16.2 million GF in FY 2011 and $17.8 million GF in FY 2012
  - Includes $4.4 million in FY 2011 and $4.3 million in FY 2012 from the maintenance of the Governor's 2009 budget reductions
- Also proposes reductions of $3.7 million in FY 2011 and $5.1 million in FY 2012 from postponing State Police basic trooper schools
  - 116th postponed until January 2011
  - 117th postponed until January 2012
  - 118th postponed until January 2013
  - To maintain highway patrol functions, sworn positions from other operational areas may be reassigned
- Virginia Public Safety Fund
  - Supplants $4.8 million in both FY 2011 and FY 2012 from counter-terrorism using the Virginia Public Safety Fund
  - Provides new funding of $4.7 million in FY 2011 and $6.7 million in FY 2012 from this source to support on-going maintenance of STARS

HB 30: HB 599 Payments

- Reduces "HB 599" funding by $40.9 million GF in FY 2011 and $47.6 million GF in FY 2012
  - Represents a 20 percent reduction, which is equivalent to the reductions taken by sheriffs and State Police
  - Funding level equals $160.6 million all funds each year
- Included in these GF reductions, is the use of $4.2 million in FY 2011 and $10.8 million in FY 2012 from the Virginia Public Safety Fund to offset a portion of the GF reductions
  - Without these nongeneral fund resources, funding level for HB 599 decreases to $156.4 million in FY 2011 and $149.7 million in FY 2012

Virginia Public Safety Fund

- HB 30 creates a new Virginia Public Safety Fund to supplant GF support for sheriffs, HB 599 payments, and the State Police by $22 million in FY 2011 and $44 million in FY 2012
  - This fund is supported by a 0.5 percent tax increase on casualty and property insurance premiums found in the budget and potential separate legislation
  - If this proposed legislation is rejected, the supplanted amounts would represent cuts to the affected programs
    - For example, there would be significant reductions in local law enforcement and courtroom security staffing, or limited counter-terrorism activities by State Police

HB 30: Department of Corrections

- Includes net biennial reduction of $42.1 million
- Proposed GF spending includes:
  - $8.7 million per year to offset the loss of nongeneral fund revenue associated with housing inmates from Wyoming
  - $4.7 million in additional funding for inmate medical care
- Proposed GF reductions include:
  - $22.3 million in FY 2011 and $22.9 million in annualized savings from closing Brunswick and Botetourt correctional centers
  - Supplanting $9.9 million from housing 1,000 out-of-state inmates
    - Virginia will supplant this GF with slightly more than $10 million collected in per diems from other state each year
  - Reversion of $4.6 million in FY 2011 and $5.6 million in FY 2012 in IT system balances
  - $1.4 million each year from eliminating payments in lieu of taxes to localities
    - Language exempts the agency from provisions of § 58.1-3403

Other Public Safety Issues

- Forensic Science
  - Provides $789,175 GF each year to address workload issues stemming from the U.S. Supreme Court's Melendez-Diaz decision
- Military Affairs
  - Eliminates $180,000 GF each year in state recruitment incentives
    - DMA will be required to rely on federal recruitment incentives
  - Provides $212,703 each year in additional funding for state tuition assistance program

HB 30: Significant Language Items

- Changes the methodology for approving jail construction projects
  - Currently, projects are approved for an exemption from the jail construction moratorium by the General Assembly
  - Under proposed process, localities and regions would submit projects to DOC and the Board of Corrections for consideration
  - If approved, DPB would recommend project costs and local community corrections costs to Governor for inclusion in his introduced budget bill
    - General Assembly would not have an active role in the initial approval of jail construction projects under new process
- Also provides that any jail projects approved by the Board of Corrections as of the fall of 2009, but were not included in the budget, may be resubmitted for inclusion in the 2011 budget bill without new approval by the Board

General Government

Commonwealth Attorneys

- HB 29 includes a reduction of $3.7 million GF in funding for Commonwealth Attorney's offices (a 5.6% reduction). Savings actions include:
  - Across the board reductions: $2.5 m.
  - Remove funding for 4th quarter VRS payments: $1.0 m.
- HB 30 includes a reduction of $10.9 million GF in funding for Commonwealth Attorney's offices each year (a 16.5% reduction from Chapter 781). Savings actions include:
  - Across the board reductions: $6.0 m.
  - Remove funding for VRS payments: $3.7 m.
  - Suspend funding for the Career Prosecutor Program: $1.0 m.
  - Eliminate funding for liability insurance & bond premiums: $0.2 m.

Clerk of Circuit Courts

- HB 29 includes a reduction of $4.8 million GF in funding for the Clerk of Circuit Court's offices (a 11.5% reduction). Savings actions include:
  - Across the board reductions: $4.2 m.
  - Remove funding for 4th quarter VRS payments: $0.4 m.
- HB 30 includes a reduction of $9.5 million GF in funding for the Clerk of Circuit Court's offices each year (a 22.5% reduction from Chapter 781). Savings actions include:
  - Across the board reductions: $6.0 m.
  - Remove funding for VRS payments: $1.7 m.
  - Supplant GF with Technology Trust Fund funding: $1.5 m.
  - Eliminate funding for liability insurance & bond premiums: $0.3 m.

Treasurers & Comm. of Revenue

- HB 29 includes a reduction of $1.9 million GF in funding for both Treasurers and Commissioners of Revenue (a 9.6% reduction for both groups). Savings actions include:
  - Across the board reductions
  - Remove funding for 4th quarter VRS payments
- HB 30 includes a reduction of $11.6 million GF in funding for Treasurers and $11.0 for Commissioners of Revenue each year. Actions eliminate all funding for these offices except for the salaries of the constitutional officers
  - Results in a 58% decrease in funding for treasurers
  - Results in a 54% decrease in funding for commissioners of revenue
- HB 30 includes language granting localities the authority to establish director of finance offices to assume the duties of the offices of treasurers and commissioners of revenue
  - Currently a locality would have to hold a referendum prior to replacing the treasurers and commissioners of revenue with a director of finance

Directors of Finance

- HB 29 includes an across-the-board reduction of \$1.0 million GF in funding for Directors of Finance offices (a 15.2% reduction for both groups) and include:
  - Across the board reductions
  - Removal of funding for 4th quarter VRS payments
- HB 30 includes a reduction of \$6.2 million GF in funding for Directors of Finance offices each year. Actions eliminate all funding for these offices except for the salaries of the Directors
  - Results in a 90.1% decrease in funding for the Directors of Finance

Administration

- HB 30 includes a reduction of $858,101 in each year, a 15 percent reduction, in grants to public television and radio stations
  - HB 30 proposes to transfer the remaining $4.9 million GF appropriation, each year, for grants to public broadcasting from the Secretary of Administration to the Secretary of Education and Workforce
- The bulk of the other savings actions included under the Office of Administration reflect maintaining the savings initiatives included in the September budget reduction plan for the Department of Human Resources Management
  - Includes $3.9 million in both FY 2011 and FY 2012 in savings from actions included in the September plan
- HB 30 also proposes to merge the Department of Employment Dispute Resolution into the Department of Human Resources Management
  - The budget assumes a net savings of $170,444 GF over the biennium as a result of the merger

Judicial Branch

- Spending Actions
  - HB 29 includes $300,000 in additional funding for the Involuntary Mental Commitment Fund in FY 2010
  - HB 30 includes $150,000 in additional funding for the Involuntary Mental Commitment Fund in both FY 2011 and FY 2012
  - HB 30 includes $30,240 each year to fund court-appointed counsel for youth in juvenile correctional facilities

- Establish 3 New Public Defender Offices
  - HB 30 assumes net savings of $900,000 GF over the 2010-12 biennium from establishing new public defender offices in Chesterfield, Henrico, and Prince William counties
    - $18.4 million reduction in the criminal fund for the biennium
    - $17.5 million in additional funding for the Indigent Defense Commission

Finance

- Spending Actions
  - HB 30 includes $40.0 million in funding reserved for an expected mandatory deposit into the revenue stabilization fund in FY 2013
- Savings Actions
  - The bulk of savings actions included under the Finance Secretariat reflect maintaining the savings initiatives included in the September budget reduction plan
    - Includes $4.4 million in both FY 2011 and FY 2012 in savings from actions included in the September plan
  - Includes revenue of $4.3 million from the transfer of cash balances from the Commonwealth's State Insurance Reserve Trust Fund

Commerce and Trade

HB 29: Commerce and Trade

- The caboose bill amendments within the agencies in Commerce and Trade include reductions of $7.6 million from the Governor's September 2009 reduction plan, or about 7% of the Secretariat's Chapter 781 GF base of $114.2 million
- Also included in Central Accounts related to economic development is $2.0 million GF for SRI in Harrisonburg

HB 30: Economic Development Incentives Payments

- Creates a new "agency" – Economic Development Incentive Payments. This "agency" is established as a holding account and consolidates economic incentive funds that previously had been spread throughout the Secretary's Office, at VEDP, VTA and in Central Appropriations. It includes:
  - $11.8 million each year for the GOF
  - $20.3 million over the biennium for Rolls Royce
  - $7.5 million each year for the retention of Oceana/BRAC
  - $5.5 million in FY 2012 for a new incentive for the Ignite Institute
  - $5.4 million over biennium for semiconductor grants to Micron
  - $5.0 million for MEI grants in FY 2012
  - $4.6 million in VIP grants over the biennium
  - $3.0 million for SRI in FY 2011
- The majority is either level funding of existing programs (e.g. the Governor's Opportunity Fund) or funding to meet commitments already established in Code (Rolls Royce, semiconductor grants, VIP grants etc.)

HB 30: Commerce and Trade Agencies

- Virginia Economic Development Partnership
  - Proposes new spending of $1.3 million each year to support the operations of the Commercial Space Flight Authority
  - Reductions limited to technical adjustments and maintaining the 10% reductions contained in the September 2009 Plan, which totaled about $1.5 million each year
- Virginia Tourism Authority
  - Amendments limited to technical adjustments and maintaining the 10% reductions contained in the September 2009 Plan, which totaled $1.6 million each year
- Department of Business Assistance
  - Technical adjustments and the maintenance of the September reduction plan results in savings of $1.1 million over the biennium
  - The majority of the savings relate to eliminating 3 vacant positions and creating administrative efficiencies

HB 30: Commerce and Trade Agencies

- Department of Housing and Community Development
  - Maintains the September 2009 reduction actions for savings of $3.9 million each year including:
    - Reduce Enterprise Zone Grants: $2.0 million over the biennium
    - Reduce Southwest and SERCAP water grants: $1.7 million over the biennium
    - Reduce homeless prevention and shelter improvement grants: $1.2 million over biennium
    - PDC support reduced and supplemental grants eliminated: $1.2 million over biennium
    - Reduce Indoor Plumbing support: $1.0 million over biennium
  - Backfills $4.9 million in annual TANF grants that had been used for homelessness programs with $3.2 million GF in FY 2011 and $4.4 million GF in FY 2012
  - Provides pass-through grant of $2.2 million GF in the first year only for the Fort Monroe Federal Area Development Authority

HB 30: Commerce and Trade Agencies

- Department of Labor and Industry
  - Technical adjustments and the maintenance of the September 2009 reduction plan results in savings of $232,370 each year
  - Language authorizes a $55 annual fee for the apprenticeship program. Revenues would offset GF appropriations for the agency estimated at approximately $250,000 each year
  - Language increases the boiler inspection fee from $20 to $30. Revenues from this fee flow to the general fund and the increase would generate $350,000 each year
- Department of Mines, Minerals and Energy
  - Maintains the September reduction plan for a savings of $824,640 GF in the first year and $745,152 in the second year
  - Reduces the annual GF appropriation by $320,000 each year which is backfilled with revenues assumed to be generated from a new $50 annual fee for gas and oil well permit renewals. Separate legislation would authorize this fee
  - Reduces the annual GF appropriation by $108,620 each year which is backfilled with revenues assumed to be generated from an increase in the coal and mineral mine safety fee. Separate legislation would authorize this increase

Agriculture and Forestry

HB 29: Agriculture and Forestry

- The caboose bill amendments within the Departments of Agriculture and Consumer Services and Forestry reflect GF reductions of $3.9 million, all of which were included in the Governor's September 2009 reduction plan
  - This is a reduction of about 9% from a base of $45.0 million GF
- VDACS
  - $2.3 million of GF savings, offset by $205,708 of NGF increases
  - Includes the elimination of 22 FTE positions, 12 of which resulted in lay-offs
  - Remaining savings were generated by reducing discretionary expenditures as well as targeted reductions which eliminate state funding for coyote control, and reductions to farmland preservation programs and support for agricultural education
- Department of Forestry
  - $1.6 million of GF savings, including the elimination of 8 vacant positions
  - Actions relate to limiting discretionary expenditures as well as deferring equipment purchases
  - Also reduces the GF match for the Reforestation of Timberlands program by $400,000

HB 30: Department of Agriculture and Consumer Services

- Continues savings for $2.0 million GF in FY 2011 and $2.9 million in FY 2012 by maintaining September 2009 savings and by shifting certain costs to NGF support. Also included is the elimination of 3 positions in agricultural education at Virginia Tech
- Proposes language authorizing the establishment of a $17.50 per device fee for the annual inspection of weights and measures
  - Generates $2.1 million NGF each year
  - Funds are not used to supplant GF support for the program but expand it to allow for more frequent inspections
- Transfers responsibility for inspection of interstate meat and poultry processing plants to the USDA
  - Generates savings of $200,313 GF in FY 2011 and $1.0 million in FY 2012
  - VDACS would continue to inspect plants that ship only within the state
- Includes one spending amendment of $135,000 GF in the first year and $95,000 in the second year to provide disaster recovery services for the food inspection system to address findings of the Auditor of Public Accounts

HB 30: Department of Forestry

- In FY 2011 maintains all the reduction strategies announced in September 2009 for a savings of $1.6 million
- In FY 2012, the number of cuts are reduced, leaving savings of $1.4 million
  - Proposes reducing the $400,000 cut to the Reforestation of Timberlands Program to $250,000 in the second year

Transportation

HB 29: Transportation

- The majority of caboose bill changes for Transportation agencies reflect the Governor's September 2009 reduction plan
  - Nongeneral transportation funds were not used to help backfill the general fund shortfall
  - Plan reverted $13.2 million of the GF appropriation for the Route 58 Corridor Development Fund at VDOT and instead used Fund balances for a portion of the debt service
  - Retained $3.2 million GF in uninsured motor fee revenues that had been directed to DMV
  - Reverted about $600,000 GF from the Port Authority and $500,000 GF from DRPT which were offset by administrative savings within those 2 agencies

HB 29: Transportation

- Also reflected in the caboose bill is the reforecast of the nongeneral fund revenues available to VDOT
  - The reduction of $152.4 million reflects both the August and December Commonwealth Transportation Fund re-forecasts
- Similarly, the caboose bill spreads among the VDOT programs the $359.9 million NGF revenue reduction included in Chapter 781
  - The reduction resulting from the February 2009 reforecast had been included in an agency management savings item and was not spread among the VDOT items pending Commonwealth Transportation Board action
  - One policy change reflected is a one-year redirection within VDOT of the $7.0 million NGF traditionally dedicated to the rail, road, and recreational access programs

HB 30: VDOT

- Reduces VDOT's NGF revenues by $259.5 million in FY 2011 and $244.6 million in FY 2012 to reflect changes in the transportation revenue forecast
  - The most recent forecast assumes a revenue reduction of 3.0% in FY 2010 (which reduces the base), but presumes CTF growth of 3.3% in FY 2011 and 2.5% in FY 2012
- Also reflected is a reduction in VDOT's MEL from 8,350 to 7,500
  - Language adopted by the General Assembly last year assumed VDOT would reduce is full-time equivalent employees to 7,500 by the end of the current biennium to meet its "Blueprint" for achieving budgetary savings
- Other actions designed to reflect VDOT's re-engineering efforts include a realignment of the maintenance budget
  - Previously, VDOT distributed state maintenance funds among the 3 Interstate, Primary and Secondary Systems
  - The proposed budget separates infrastructure-type maintenance expenditures (which are still suballocated by system) from operational activities like traffic management, roadside maintenance and snow removal
- Adjusts the biennial cash-flow of funding for the Route 58 Corridor Development Program by reducing the FY 2011 GF appropriation from $40.0 to $28.0 million, and providing the difference in the second year
  - A similar action is taken within the Department of Accounts' aid to localities item for the Northern Virginia Transportation District Program

HB 30: DRPT

- Includes a series of amendments to reflect the revised transportation revenue forecast and the transfer of the Dulles Corridor Rail Project
  - In total, DRPT appropriations are reduced by $405.4 million NGF over the biennium
  - This includes a base adjustment removing $519.0 million for the Dulles Rail project offset by NGF increases of $41.7 million in FY 2011 and $71.9 million in FY 2012
  - The increases include revenue forecast reductions which are offset by the transfer of funding for regional STP and CMAQ funds traditionally included in VDOT's budget as well as the appropriation of Transportation Capital Projects Bond proceeds
- Also transferred from VDOT is the $3.0 million each year dedicated to the Rail Industrial Access Program
  - Although DRPT manages the program, in the past the funds have been appropriated in VDOT
- Proposes 2 language items relating to Governor Kaine's Sub-Cabinet on Community Investment
  - The first requires the CTB to give priority to projects that include complementary land use commitments when selecting projects to be funded with the Capital Projects bonds
  - The second states that following the 3-year pilot project, additional direct rail service will not be continued along the Route 29 corridor unless the areas around the stations have been designated as urban development areas

HB 30: Other Transportation Agencies

- Actions impacting the Department of Motor Vehicles include:
  - Continuing the transfer to the GF of the $3.2 million in revenues from the Uninsured Motorists Fee that had been used for DMV's computer systems upgrade
    - This action was included in the September 2009 reduction plan
    - The multi-year systems redesign is between phases and the schedule can be adjusted to reflect the changing revenue availability
  - A 10% annual reduction in the mobile home sales and use tax revenues distributed to localities. This generates $500,000 each year for the GF
- Budget reflects the proposed transfer of the Towing and Recovery Operations Board from Transportation to the Secretariat of Public Safety
  - The Superintendent of the State Police chairs the Towing Board
- Also included is a NGF reduction for the Secretary of Transportation's Office as a result of eliminating one of the two Deputy Secretaries of Transportation

Natural Resources

HB 30: Natural Resources

- Includes net GF reductions of $3.7 million in FY 2011 and $4.0 million in FY 2012 and net NGF reductions of $46.1 million in both FY 2011 and FY 2012
- Additional spending includes:
  - $5.0 million GF and $9.1 million NGF each year for DCR for agricultural best management practices
    - Nongeneral funds supported by a $10 increase in the recordation fee
  - $1.0 million GF each year for DCR to provide funding for the Virginia Land Conservation Foundation

HB 30: Natural Resources

- Spending reductions include:
  - 7.9 million in FY 2011 and $7.8 million in FY 2012 from maintaining the Governor's September budget reductions, for example:
    - Reductions in staffing and offerings in state parks
    - Reductions in support for soil and water conservation districts
    - Elimination of funding for fish tissue analysis
    - Elimination of funding for Civil War battlefield preservation
    - Supplanting Marine Police costs with federal funds

Technology

HB 29: Technology

- The proposed amendments include a decrease of $2.3 million GF and $3.7 million NGF for the biennium
- Innovation and Entrepreneurship Investment Authority:
  - Proposes reductions of $651,250 GF in reductions for equity investments in technology and life science companies and technology-based research
- VITA
  - Proposes $953,565 GF in reduced information technology service rates and surcharges
  - Includes $344,909 GF in reduced overhead charges for IT services
  - Includes $377,088 GF from eliminating memberships, subscriptions, consultants, CIO transition expenses, and an IT governance position
  - Proposes reductions of $2.0 million NGF to transfer Wireless E-911 funds to support sheriffs' dispatchers
  - Includes reductions of $1.7 million NGF from transferring responsibility for support of the Virginia Election and Information Registration System from VITA to the State Board of Elections
- Central Accounts
  - Includes an increase of $19.4 million GF to provide state agencies address costs associated with changes in VITA decentralized service rates

HB 30: Technology

- Includes GF decreases of $3.8 million per year and net NGF reductions of $3.0 million in FY 2011 and $2.6 million in FY 2012
- Continuation of the Governor's September reductions:
  - Includes $651,250 GF from the Innovative and Entrepreneurship Investment Authority by continuing equity investment reductions and reduced technology-based research activities
  - Includes $497,510 GF each year from VITA by eliminating memberships, subscriptions, and consultants, and reducing CIO transition expenses and technology governance activities
- Continuation of other reductions:
  - Proposes $1.0 million GF each year in reductions to VITA information technology service rates and surcharges
  - Includes $1.4 million GF each year in reductions to VITA customer overhead charges from improved administrative efficiencies
  - Includes the continued transfer of $2.0 million NGF each year from the Wireless E-911 Fund to support sheriff's dispatchers and the transfer of $1.8 million NGF in support costs for the VERIS program to the State Board of Elections
- Additional NGF spending items:
  - Includes $1.5 million in FY 2011 and $1.8 million in FY 2012 to repay a working capital advance being used for the development of new centralized accounting and budgeting systems
    - Derived from durable medical equipment reimbursements that would otherwise be deposited in general fund
  - Proposes $459,528 NGF each year to update revenue and expenditure projections for the Acquisition Services Special Fund
    - Supports services ineligible for federal reimbursement

Capital Outlay

Treasury Board

- HB 29:
  - Reductions to debt service in Treasury Board of $30.2 million GF due to refunding and draw schedule changes
- HB 30:
  - Proposes $56.4 million GF in FY 2011 and $104.2 million GF in FY 2012 for previously authorized projects

HB 30: Capital Outlay

- Introduced budget proposes $1,248.6 million in conditional VCBA / VPBA bonds for higher education projects, maintenance reserve, equipment for new buildings and a new energy conservation program
  - Restrictive language requires a report by the Secretary of Finance to demonstrate how bonds could be issued and remain within debt capacity limits
  - No debt service is funded for these projects
  - Effectively, none of the projects proposed under this language would be able to move forward until the next biennium

HB 30: Conditional VCBA / VPBA Tax-Supported Bond Projects: $1,248.6 million

Project Priority / Category	GF $ in millions
1. Maintenance Reserve Program	$ 100.0
2. Equipment Trust Fund (HEETF)	Operating
3. Equipment for Projects Scheduled to Open 2010-12	25.8
4. Energy Conservation Initiative (federal subsidized taxable bonds)	35.2
5. New Construction / Renovation on Previously Planned Projects	1,087.6
Total Conditional VCBA / VPBA Bonds	$1,248.6

Note: $50.0 million in HEETF funding is subject to the conditions outlined in this section but funded in operating section.

Nongeneral Fund Supported Capital Projects

- Projects funded through nongeneral funds (e.g. gifts, federal funds, auxiliary enterprise revenues, and port revenues)
- HB 29:
  - $5.4 million NGF for higher education project supplements
  - $67.0 million in 9(d) revenue bonds for higher education projects
- HB 30:
  - $231.2 million NGF revenue projects primarily in higher education
  - $206.9 million in 9(c) revenue bonds for higher education projects
  - $142.7 million in 9(d) revenue bonds for higher education projects

General Fund Supported Projects

- HB 30 proposes 39.2 million GF primarily to restore planning funds and maintenance reserve balances reverted to balance FY 2009 revenue shortfall