

Governor's Proposed Amendments 2010-2012 Appropriation Act (HB 30, As Adopted)

Amendment No. 1 Item 0 - Revenues Revenue Adjustments

General Assembly Action: Adopted the “front page” revenue adjustments reflected in the General Assembly’s amendments to House Bill 30 as introduced, including the mid-Session revenue reforecast.

Governor's Action (Technical): The proposed amendment reflects adjustments relating to actions proposed in House Bill 29 – which decrease the carry-forward balance – as well as proposals included in amendments 84, 85, 88, 94 and 96 which result in a net reduction of \$17.3 million in revenues.

Amendment No. 2 Item 39 – Supreme Court of Virginia Language – Removal of Potentially Conflicting Language

General Assembly Action: Adopted language included in the introduced budget authorizing the development of two pilot programs, within the circuit court system, dealing with probation violations based on the principles used in the HOPE program developed in Hawaii. In addition, the General Assembly passed House Bill 927 which authorized implementing one pilot program similar to the HOPE program. The HOPE program is an immediate sanction probation program, if a participant in the program violates their probation, they are subject to immediate arrest. The HOPE program relies heavily on frequent drug testing. Evaluations have indicated the program is successful in reducing recidivism.

Governor's Action (Technical): The Governor’s amendment deletes the budget language to ensure there is no conflict between the budget language and the provisions of HB 927 (R. Bell), which establishes a program for probation violators.

Amendment No. 3
Item 67.20 – Compensation Board
Providing Jails Ability to Charge All Offenders for Operating Costs of Work Programs

General Assembly Action: No action.

Governor's Action: The proposed amendment permits sheriffs and regional jails to charge those inmates who participate in a work program but who are not required to stay overnight in jail a reasonable daily amount to offset these programs' operational costs. Sheriffs and regional jails indicate they currently may only seek reimbursement for work program costs from those inmates actually housed in jails.

Amendment No. 4
Item 67.9 – Compensation Board
Language – Clarify Career Development Program Language

General Assembly Action: The General Assembly restored funding for the Career Development programs within the constitutional offices for employees in the programs as of January 1, 2010. The introduced budget eliminated all funding and included language suspending all state support for the programs. The General Assembly restored funding for the employees currently in the programs and amended the language to specify that state support is eliminated for any employees that would be added to the program after January 1, 2010.

Governor's Action (Technical): The Governor's amendment inserts language to clarify that the state funding remains available for the employees who were in the programs as of January 1, 2010.

Amendment No. 5
Item 67.9 – Compensation Board
Language – Clarify Retirement Reimbursement Rate

General Assembly Action: The General Assembly rejected language included in the introduced budget which eliminated state general fund payments to support costs incurred within the constitutional offices for the retirement contribution rate payments and group life insurance rate contributions. The funding for these payments was included in the overall restorations for the offices.

Governor's Action (Technical): The Governor's amendment inserts into the budget, language which limits the state support for the retirement contributions to the lesser of the retirement contribution rate for the affected locality or the state employee rate. This language has been included in the Appropriations Act previously and was omitted from the introduced budget this year due to the proposal to eliminate the state support for retirement contributions.

Amendment No. 6
Item 67.95 – Compensation Board
Remove Surplus Retirement Funding and Restore Budget Reduction

General Assembly Action: The General Assembly restored approximately \$95 million GF each year in funding reduced for the constitutional offices in the introduced budget.

Governor's Action: The Governor's amendment reduces funding for the constitutional offices by \$5.3 million GF each year. This savings is the net result of two actions. The amendment realizes savings of \$21.1 million each year from reduced state support for retirement contribution costs. Historically, state support for the retirement contributions has been limited to the lesser of the retirement contribution rate for the affected locality or the state employee rate. The savings is realized as a result of the lower contribution rate for the state employee retirement program included in the introduced budget, 2.13% in FY 2011 and 2.08% in FY 2012. These savings are partially offset by restoring \$15.8 million in annual General fund support which was eliminated beginning with the 2008 Appropriation Act based on a requirement to withhold state support for newly vacant positions for 90 days.

Amendment No. 7
Item 88 – VDACS Weights and Measures
Language – Technical Change

General Assembly Action: Included language authorizing the voluntary use of third-party inspectors in lieu of VDACS inspection of weights and measuring devices.

Governor's Action (Technical): The proposed amendment adds additional language clarifying that the third-party inspector may submit the required reports on behalf of the owners whose devices are inspected by third-party service agencies.

Amendment No. 8
Item 96 – Economic Development Incentives
Provide Additional Appropriation for 3 Incentives

General Assembly Action: Provided funding for the 3 project-specific economic development incentives as follows: 1) met commitment to the Bank of American location through an earmark of Governor's Opportunity Fund (GOF) amounts; 2) authorized funding for the biofuels incentive fund project through the GOF if the project was completed and producing sufficient biofuels in the current biennium; and 3) authorized funding for SRI International in HB 29 but not in HB 30 because under the authorizing legislation the Commonwealth has through FY 2013 to make the final payment of which \$20.0 of \$22.0 million already has been paid.

Governor's Action: The Governor's proposed amendment provides an additional \$3.4 million in the first year to fund the Bank of America incentive (as had been done in the House adopted budget); \$4.8 million in FY 2012 for a grant anticipated to be due under the biofuels production fund provisions in the second year, and \$1.0 million in FY 2012 for SRI, leaving \$1.0 million remaining to be paid in FY 2013.

Amendment No. 9
Item 96 – Economic Development Incentives
Increase FY 2012 Appropriation for Governor's Opportunity Fund

General Assembly Action: Provided a total of \$30.8 million over the biennium for the Governor's Development Opportunity Fund, including \$23.9 million in the first year. The GOF received \$20.1 million in the FY 2008-2010 biennium.

Governor's Action: The Governor's proposed amendment would increase the second year GOF appropriation by \$6.0 million, bringing total funding for the biennium to \$36.8 million.

Amendment No. 10
Item 98 - Department of Business Assistance
Restore Administrative Reduction

General Assembly Action: Applied a reduction of \$400,000 in the first year and \$474,513 in the second year against the administrative budget at the Department of Business Assistance (DBA).

Governor's Action: Proposes to restore \$300,000 of the \$400,000 first year reduction at DBA to reflect anticipated increased demand for the agency's services in light of the Governor's focus on economic development.

Amendment No. 11
Item 98 – Department of Business Assistance
Reduce VJIP Set Aside for Small Businesses

General Assembly Action: Included language stipulating that 30 percent of funding appropriated for the Virginia Jobs Investment Program (VJIP) would be set aside for small business incentives. The intent to shift focus of the VJIP program to smaller businesses is further reflected in the passage of House Bill 943, the Small Business Jobs Grant Fund, (Landes) which was adopted by the Appropriations Committee and the General Assembly in the 2010 Session. This legislation created a sub-fund within VJIP but did not stipulate the amount that would be dedicated to it.

Governor's Action: The proposed amendment would reduce the mandatory set aside of the VJIP funds from 30 percent to 10 percent, and includes a requirement that the agency report to the Governor and the Secretary of Commerce and Trade on expenditures from the Fund and anticipated need for additional funding.

Notes:

- Total funding for the VJIP program was increased from \$7.9 million in the first year to \$11.4 million in amendments adopted by the General Assembly.
- The House budget had earmarked \$2.0 million each year of VJIP funding for the Small Business Jobs Grant Fund, or about 18 percent of the total.

Amendment No. 12
Item 112.10 – Department of Mines, Minerals and Energy (DMME)
Restore Administrative Reduction in FY 2011

General Assembly Action: The General Assembly applied a \$750,000 reduction against the DMME administrative budget in each year of the upcoming biennium. This reflected a reduction of approximately 7 percent against their administrative budget. In other action, the General Assembly approved 3 new fees providing additional funding for mine and mineral safety and inspections.

Governor's Action: The Governor's amendments propose to fully restore the reduction in the first year. In light of the recent mine tragedy in West Virginia there was concern that additional focus is needed to limit safety risks for the public and the works in the industries regulated by the agency.

Amendment No. 13
Item 114 – Virginia Economic Development Partnership
Increase Funding for Virginia Commercial Space Flight Authority

General Assembly Action: The General Assembly reduced the appropriation proposed in House Bill 30 as introduced for the Virginia Commercial Space Flight Authority by \$541,220 each year. This provided a total of \$837,875 each year for the Authority which had received \$87,875 from the Commonwealth in the current fiscal year.

Governor's Action: The Governor's proposed amendment would provide an additional \$541,220 in the first year and \$162,125 in the second year for the Virginia Commercial Space Flight Authority, bringing its total funding to \$1,379,095 in the first year and \$1,000,000 in the second year.

Notes:

- The operations of the Virginia Commercial Space Flight Authority are expanding to reflect the construction of the Orbital facility on Wallops Island which the Commonwealth is supporting through a bond issuance approved in the 2008 Session.
- The House budget included \$1,087,875 in the first year and \$837,875 in the second year for the VCSFA, matching the request submitted by the Authority to the General Assembly last fall.

Amendment No. 14
Item 114 - Virginia Economic Development Partnership
Restore Administrative Reduction in FY 2011

General Assembly Action: Applied an additional 5% reduction against the administrative budget of the Virginia Economic Development Partnership (VEDP) which totaled \$704,417 in FY 2011 and \$697,997 in FY 2012.

Governor's Action: The Governor's proposed amendment would restore \$528,313, or 75%, of the first year reduction at VEDP to reflect anticipated increased demand for the agency's services in light of the Governor's focus on economic development. No action is taken in the second year.

Amendment No. 15
Item 115 – Virginia Employment Commission
Authorize Continued Use of Reed Act Funds for IT Project

General Assembly Action: No action taken.

Governor's Action: Includes language authorizing the Virginia Employment Commission to continue the designation of federal Reed Act funding for the agency's information technology upgrade project. This is an ongoing project, but needs to be extended due to contract complications which extend the use of these funds into the next biennium.

Amendment No. 16
Item 120 – Virginia Tourism Authority
Eliminate Earmark for Public Radio/TV Tourism Promotion

General Assembly Action: Provided \$200,000 in each year of the biennium for tourism promotion through public radio and public television. The first year amount came from funds previously designated for film incentives, which received new funding through both the Motion Picture Opportunity Fund and the film incentive tax credit adopted by the 2010 General Assembly.

Governor's Action: Eliminates the language setting aside funding for this new promotion program for public radio and public television.

Notes:

- This activity was not funded in the House budget.

Amendment No. 17
Item 122 – Secretary of Education
Continue Phase Out of Funding for Public Television and Radio

General Assembly Action: Reduced the total public broadcasting (Items 122 and 123) annual budget of \$4,867,152 million in the introduced budget for grants by \$730,073, or fifteen percent each year.

Governor's Action: The proposed amendment specifically reduces this Item's second year conference allocation of \$1,915,743 by \$592,835, or thirty-one percent, to continue to phase out the budget for grants given to public television and radio stations over a four-year period.

Note:

- The House approved budget eliminated the \$2.6 million annual funding for non-educational public broadcasting grants included in the introduced budget but did not decrease the \$2.2 million in annual funding for public education related public broadcasting activities.

Amendment No. 18
Item 123 – Secretary of Education
Phase Out of Funding for Educational Telecommunications

General Assembly Action: No action.

Governor's Action: The proposed amendment reduces the first year's allocation of \$2,221,336 million by \$555,334, or twenty five percent, and reduces the second year's conference allocation of \$2,221,336 by \$1,110,668 million, or fifty percent. These two actions continue to phase out funding for educational telecommunications over a four-year period.

Amendment No. 19
Item 132 - Direct Aid to Public Education
Transfer Additional Literary Fund Revenues

General Assembly Action: Transferred \$13 million in additional Literary Fund revenues, generated from the sale of unclaimed stock holdings, to the general fund to offset a portion of the teacher VRS payments and captured a like amount of general fund savings.

Governor's Action: The proposed amendment provides \$3.6 million each year to further offset a portion of the teacher VRS payments and capture a like amount of general fund savings. The \$3.6 million in Literary Fund revenue will be generated from anticipated collections from the increased penalties for speeding violations.

Amendment No. 20
Item 132 - Direct Aid to Public Education
Include Authority for the Purchase of Hand Held Devices

General Assembly Action: Restored \$57.8 million each year for Virginia Public School Authority (VPSA) Technology grants to school divisions. The grants are allocated at \$50,000 per school division and an additional \$26,000 per school building within each school division. The general fund was increased by \$13.5 million in the second year to pay for the debt service costs associated with the five year notes issued by the Treasury Department for the technology grants.

Governor's Action: The proposed language amendment provides authority for school divisions to purchase hand held devices with funding from the technology grants provided that the requirements for the SOL on-line testing are satisfied and maintained: 100% of the SOL on-line testing will be administrated for all high schools by FY 2011, for all middle schools by FY 2012 and all elementary schools by FY 2013.

Amendment No. 21
Item 224 – VSU Cooperative Extension
State Match for Federal Funds

General Assembly Action: No action.

Governor's Action: Recommends \$440,753 in FY 2011 to meet the state match for federal land grant funds.

Amendment No. 22
Item 244 – Higher Education Research Initiative
Restore Hampton University Proton Beam Funding

General Assembly Action: Provided \$510,000 GF funding for the proton beam project at Hampton University in FY 2011.

Governor's Action: The proposed amendment provides \$510,000 GF in second year funding.

Amendment No. 23

Item 248 – Department of Accounts

Language – Address Treatment of General Fund Support for Higher Education

General Assembly Action: The General Assembly adopted budget language which prohibited the practice of transferring state General Fund appropriated for institutions of higher education to NGF. Under current practice the general funds are transferred into special funds and all of the expenditures are recorded as special fund expenditures. The adopted language requires the General Fund appropriations to be recorded as GF expenditures and all other funding sources would continue to be recorded as special fund expenditures.

Governor's Action: The Governor's amendment deletes the adopted language and replaces it with language directing the Governor's Higher Education Reform Commission to study the issue of transferring GF appropriation prior to recording the expenditures and make a recommendation on the appropriate course of action by FY 2012. There has been some concern that the language adopted by the General Assembly could result in issues with the maintenance of effort payments required in FY 2011 under the federal ARRA.

Amendment No. 24

Item 262 – Department of Taxation

Language – Modify Communication Sales and Use tax Distribution Language

General Assembly Action: The General Assembly adopted language appropriating the Communication Sales and Use Tax. Communications tax is a state tax that is distributed to the localities, with a portion of the revenue being transferred to the Department of Deaf and Hard-of-Hearing to support the cost of providing adaptive telecommunications equipment to qualified applicants.

Governor's Action (Technical): The Governor's amendment adds to the language adopted by the General Assembly to clarify that the revenues generated from the communication sales and use tax be either distributed to the localities, transferred the Department of Deaf and Hard-of-Hearing to provide the adaptive telecommunications equipment or used to support the cost of administering the tax.

Amendment No. 25
Item 271 – Treasury Board
Debt Service Savings

General Assembly Action: No action.

Governor's Action: The proposed amendment recommends \$9.8 million GF savings over the biennium for debt service based on better than expected interest rates on a recent bond issuance.

Amendment No. 26
Item 271 – Treasury Board
RSW Regional Jail Bond Authorization

General Assembly Action: House conferees rejected the Senate request to provide \$32.8 million in bond authorization for the RSW regional jail project and adopted language in the Department of Corrections which allowed for reimbursement after July 2014 and specified the requirement to house state-responsible inmates at no cost to the Commonwealth.

Governor's Action: The proposed amendment authorizes the \$32.8 million in debt for the RSW regional jail beginning July 2012. A companion amendment strikes the language in the Department of Corrections.

Notes:

- No debt capacity is available for the next four years according to the Debt Capacity Advisory Committee.
- All other debt authorizations in the budget are subject to the plan to be developed by the Secretary of Finance prior to the 2011 Session.

Amendment No. 27
Item 273 - Secretary of Health and Human Resources
Language - Information Technology Health Records Grants

General Assembly Action: Added language requiring the Secretary to report to the Chairmen of the Senate Finance and House Appropriations Committees on the plan to distribute federal funds for health information technology at least thirty days prior to issuing such awards. In addition, language required that grant funds be distributed to providers that serve a disproportionate share

of Medicaid enrollees and incentives be developed to increase the participation of physicians or other eligible practitioners in Medicaid and FAMIS.

Governor's Action: Modifies language to require the Secretary to report by July 1, 2010 on the status of any grants awarded and by December 1, 2010 on the status of the Health Information Exchange Grant process.

Notes:

- Virginia received a federal grant of \$11.2 million from the federal ARRA legislation to set up a Health Information Exchange through which health care providers can share electronic health records. A portion of this funding will be used to contract with an organization to begin the planning for the exchange and the remainder will be used to implement the exchange. Funding will be used for contracts with organizations not individual providers for the operation of the exchange.
- The federal government is providing grants to health care providers to implement electronic health records, rather than funneling the grants through state government. Much of this grant funding has been awarded.

Amendment No. 28
Item 274 - Comprehensive Services Act
Reduce Funding for Comprehensive Services Act

General Assembly Action: Approved annual general fund budget reductions of \$36.6 million contained in the introduced budget based on current and projected expenditures. An additional reduction of \$2.0 million GF in FY 2011 was adopted based on expected lower utilization of services and \$4.0 million GF in FY 2012 by imposing a match rate for Medicaid residential services that is consistent with the current match rate for non-Medicaid residential services.

Governor's Action: Proposes to reduce funding for CSA by an additional \$3.3 million GF the first year and \$6.6 million GF the second year, equivalent to one percent the first year and two percent the second year. Budget language is also added that would cap funding for the CSA program at current levels. An explanatory note indicates that a consistent amount of state appropriated funding will allow for more accurate budgeting and will encourage localities to expand their use of cost effective community-based care.

Notes:

- When CSA was created in 1992, the program combined 16 different funding streams provided through four human services agencies to pay for services for children with serious emotional disturbances.
- One of the tenets in creating a CSA was that certain groups of children be required to be served in the program (mandatory populations) and that the services they require be funded “sum sufficiently.”
- State funding is provided on a matching basis with local funding based on local ability to pay and is currently not capped.

Amendment No. 29 **Item 281 - Department of Health** **Increase Appropriation in the Emergency Medical Services Program**

General Assembly Action: Increased the motor vehicle annual vehicle registration fee, known as \$4 for Life from \$4.25 to \$6.25. A portion of the additional funding was used to eliminate the transfer of funding from the Rescue Squad Assistance Fund to the Department of State Police and supplant general fund support for the State Police med-flight operations.

Governor’s Action (Technical): Corrects the allocation of additional funds as special funds and not dedicated special revenue and correctly accounts for the new revenue to reflect the fee increase for the program.

Amendment No. 30 **Item – 296 Department of Medical Assistance Services** **Language - Podiatry Coverage under FAMIS**

General Assembly Action: Restored \$430,950 GF and \$543,830 NGF to continue coverage of podiatry services in the Medicaid program in FY 2011 and delayed the elimination of Medicaid coverage of podiatry services until FY 2012. Language was added to restore podiatry coverage in the second year if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011:.

Governor’s Action (Technical): Proposes to conform language to provide coverage of podiatry services in FAMIS and delay the elimination of these services until FY 2012, consistent with the General Assembly’s actions in Medicaid. There is no budgetary impact as the funding related to these services incorporated the costs to both the Medicaid and FAMIS program. Language would

also restore coverage of these services in FAMIS in FY 2012 if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Amendment No. 31
Item 297 - Department of Medical Assistance Services
Transition Rates for Intensive In-home Services for Children

General Assembly Action: Adopted three budget strategies contained in the introduced budget to restrain the growth of intensive in-home services for children and adolescents in Medicaid. One of the provisions reduced the reimbursement rate for intensive in-home services for children and adolescents from \$70 to \$60 per hour effective February 1, 2010.

Governor's Action: Provides \$4.7 million GF and \$5.9 million from federal Medicaid matching funds to increase the reimbursement rates for intensive in-home services reimburse providers from \$60 to \$65 per hour for one year from July 1, 2010 through June 30, 2011. Rates would then drop to \$60 per hour beginning in FY 2012. In addition, the Governor's actions eliminate language which required the Department of Medical Assistance Services to establish reimbursement rates for intensive in-home services based on quality indicators and standards and proposes

Notes:

- Medicaid intensive in-home services have grown dramatically over the past several years. These services support children and adults with serious mental illness and other behavioral or health problems to help them remain at home in the community and avoid institutional care.
- Rates for intensive in-home services were reduced from \$70 to \$60 per hour on February 1, 2010.

Amendment No. 32
Item 297 - Department of Medical Assistance Services
Add Behavioral Health Drugs to the Medicaid Preferred Drug List

General Assembly Action: Rejected a proposed savings strategy contained in the introduced budget, which would have included behavioral health drugs on the Medicaid Preferred Drug List (PDL). In addition, the General Assembly restored language in the budget which exempts anti-psychotic and anti-anxiety medications used for the treatment of mental illness from the Medicaid PDL program. Language was also added to require the Department of Medical Assistance Services to continue to review utilization of these medications and ensure appropriate use and

dosage requirements are followed and to report on this to the Chairmen of the House Appropriations and Senate Finance Committees by December 1, 2010.

Governor's Action: Proposes an amendment to reduce \$247,349 GF and \$312,138 NGF in the first year and \$559,614 GF and \$559,614 NGF in the second year for savings anticipated by adding these behavioral health drugs to the Medicaid PDL for new Medicaid recipients or those are who are newly prescribed these medications. Language grandfathers existing recipients who are receiving these medications from participating in the Medicaid PDL for these drug classes.

Notes:

- The General Assembly re-affirmed existing policy to continue an exemption of anti-psychotic and anti-anxiety medications from the Medicaid Preferred Drug List, in order to maintain Medicaid patients' access to needed behavioral health medications.
- This exemption is widely supported by patient advocates and physician organizations, who are concerned that:
 - patients who have been stabilized on certain behavioral health medications would be subject to additional requirements in order to maintain their current medication regime
 - a more restrictive formulary would decrease treatment options for patients with mental illness.
- The General Assembly also required DMAS to report back on the utilization of these medications on December 1, 2010. This examination of utilization would provide additional information regarding the need to apply the Medicaid PDL to these drug classes.

Amendment No. 33
Item 297 - Department of Medical Assistance Services
Adjust Indirect Medical Education Payments for High NICU Hospitals

General Assembly Action: Eliminated \$884,200 GF the first year and \$1.0 million GF the second year for an additional payment to three hospitals with high-volume, neo-natal intensive care units (NICUs) by adjusting their indirect medical education (IME) payments as proposed in the introduced budget. These additional Medicaid payments were added during the 2004 and 2005 Sessions for three hospitals – Children’s Hospital of the King’s Daughter, INOVA – Fairfax Hospital and Johnson City (TN) Memorial.

Governor’s Action: Proposes adding \$839,800 the first year and \$950,000 the second year from the general fund and \$1.1 million the first year and \$950,000 the second year from federal Medicaid matching funds to restore the reduction for indirect medical education for high-volume NICUs

located in hospitals whose Medicaid utilization is greater than 50 percent. Children's Hospital of the King's Daughter is the only hospital that satisfies this condition. Language designates \$1.9 million in total funds to be used for the IME payment.

Amendment No. 34
Item 297 - Department of Medical Assistance Services
Language - Permit Allocation of FMAP Funding

General Assembly Action: Added language to restore budget reductions in Health and Human Resources programs if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011:

- Virginia is estimated to receive \$417.1 million in enhanced FMAP
- About \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding
- Most of the remaining FMAP, estimated at \$371.3 million, would be used to restore reductions to Medicaid provider rates in FY 2011 and FY 2012, restore additional eligibility reductions in Medicaid and FAMIS (children's health insurance) which would take affect in FY 2012, and to restore certain Medicaid and social services

The additional FMAP funding would be used to:

- Provide an additional 250 Intellectually Disabled Waiver slots beginning July 1, 2010
- Lift the freeze on Medicaid home- and community-based waiver slots, which impacts about 3,360 low-income elderly and disabled individuals
- Restore Medicaid eligibility reductions for individuals in long-term care waivers and low-income aged, blind and disabled individuals, which impacts about 16,380 individuals
- Restore FAMIS eligibility for children and pregnant women up to 200 percent of the federal poverty level in FY 2012
- Restore Medicaid funding for optometry and podiatry services, that were eliminated in the introduced budget
- Restore Medicaid funding for respite care hours that were reduced in the introduced budget
- Mitigate Medicaid and Social Services payment reductions of up to 4 percent to critical health care providers such as hospitals and nursing homes, physicians, dentists, pharmacists, and assisted living facilities
- Restore Medicaid rates for providers of long-term care waiver services that were reduced in the introduced budget, such as personal care and other in-home services

- Restore reductions for local social services, child welfare services, and disability services provided through Centers for Independent Living
- Provide \$2.1 million in funding for community treatment of uninsured children with serious mental illnesses.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The language would allow the Governor discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012.
- The amount Virginia will receive through the enhanced FMAP is an estimate. Of the total amount estimated to be received, about 64 percent is allocated to restore amounts reduced in FY 2012.
- While the explanatory note indicates that the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012, the language is not applied to several restorations that would be covered by the additional FMAP. The proposed language would not apply to FMAP restorations for FAMIS eligibility in FY 2012, respite care hours, Medicaid home- and community-based waiver rates, and Auxiliary Grant payments for assisted living. These restorations would take affect and would not be subject to any changes.

Amendment No. 35
Item 297 - Department of Medical Assistance Services
Reflect Savings from Repeal of Dealer Discount on Tobacco Products

General Assembly Action: Restored \$3.6 million GF each year as a result of rejecting a proposal in the introduced budget to eliminate the dealer discount on cigarette taxes. However, the dealer discount was eliminated for other tobacco products (cigars, pipe and smokeless tobacco products).

Governor's Action (Technical): Reduces \$300,000 GF each year by recognizing the increased revenue to the Virginia Health Care Fund from the repeal of the dealer discount on other tobacco products.

Notes:

- Revenues from cigarettes and tobacco products are deposited into the Virginia Health Care Fund and used as the state match for the Medicaid program. Increased revenues to the fund, reduces the state's GF commitment to Medicaid while a decrease increases the state's GF commitment.

Amendment No. 36
Item 297 - Department of Medical Assistance Services
Limit Restoration for Long-Stay Hospitals to Incentive Payment

General Assembly Action: Eliminated budget language and funding for an incentive payment plan for long-stay hospitals and inflation each year of the biennium. Language was added to restore this reduction if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action (Technical): Proposes language to clarify that the funding restored by the General Assembly is intended restore funding only for the incentive plan only and not for inflation.

Amendment No. 37
Item 297 - Department of Medical Assistance Services
Language - Modify Out-of-State Hospital Reimbursement

General Assembly Action: Added language to reduce Virginia Medicaid payments to out-of-state hospitals if the Medicaid program in which the out-of-state hospital is physically located discounts payments to Virginia hospitals. In effect, out-of-state hospitals will be reimbursed at the same rate at which their Medicaid program reimburses Virginia hospitals.

Governor's Action (Technical): Proposes language with several technical components to implement the provision consistent with legislative intent and in compliance with federal law.

Amendment No. 38
Item 297 - Department of Medical Assistance Services
Hospital Payment Reductions

General Assembly Action: Reduced Medicaid reimbursement for hospital inpatient and outpatient services, and hospital capital reimbursement by three percent in FY 2011 and four percent in FY 2012, including reimbursements to the Commonwealth's teaching hospitals (UVA

Health System and VCU Health System). Language was also added to restore funding for these reductions programs if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action (Technical): Proposes technical language changes to ensure that the budgeted savings from the General Assembly's actions are consistent with approved language. Proposed changes include: (a) adding budget language to prohibit state's teaching hospitals from making up three and four percent budget reductions through other reimbursement mechanisms, (b) clarifying the current and proposed rates for outpatient hospital services, and (c) removing unnecessary emergency regulatory authority.

Amendment No. 39
Item 297 - Department of Medical Assistance Services
Language - Managed Care Expansion

General Assembly Action: No action.

Governor's Action: Proposes language authorizing the Department of Medical Assistance Services to seek federal authority to implement a program of integrated managed care for the Medicaid/FAMIS populations and all covered services, including community mental health/substance abuse services and long-term care services. The expansion will occur in two phases. The first phase expands managed care to all regions of the Commonwealth for acute care services including community mental health and substance abuse services, residential treatment services, and case management services for mental health and substance abuse; the latter group of services is currently "carved out" or not included under managed care contracts. The second phase of the expansion will include mandatory coverage of acute and/or long-term care services for Medicaid eligible children in foster care under custody of the local Department of Social Services; recipients of long-term care services being served through community-based Medicaid waivers or institutional settings; and individuals who are dually-eligible for Medicaid and Medicare services. Language also provides the department with emergency regulatory authority to implement the program changes and authorizes appropriations transfers between the first and second year of the biennium to fund the administrative and implementation costs of the managed care expansion.

Note:

- While the Virginia Medicaid program has expanded managed care to serve most of the children and non-disabled adults who are receiving Medicaid services, a number of rural areas in the Commonwealth are not covered due to the lack of a provider network and the economies of scale to make the area a viable one for managed care organizations.

- In the past year, Virginia has experienced some retrenchment by managed care organizations due to the low rates of reimbursement.
- Virginia is currently experimenting with the use of a risk based arrangement which integrates acute and long-term care services for the elderly in Medicaid through the PACE program. However, the program is very small and in its nascent stages. Data on the success of this type of arrangement in Virginia is not yet available.
- After a four-year joint legislative study of the behavioral health system in Virginia, the General Assembly decided to carve out community mental health, intellectual disability and substance abuse services from managed care in most areas of the Commonwealth. The carve out was due to concerns by service providers, advocates and consumers about the impact managed care would have on access to community-based services and overall cost of care, particularly if it resulted in additional institutionalizations of individuals being served.

Amendment No. 40

Item 305 - Department of Behavioral Health & Developmental Services Grants to Localities Language - Permit Allocation of FMAP Funding

General Assembly Action: Added language to provide \$2.1 million each year in funding for community treatment of uninsured children with serious mental illnesses if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The language would allow the Governor discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012.
- Virginia is estimated to receive \$417.1 million through from the receipt of the enhanced FMAP. Of this amount, about \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding. Of the remaining amount, about 64 percent is allocated to restore amounts reduced in FY 2012.

Amendment No. 41
Item 305 - Department of Rehabilitative Services
Language - Permit Allocation of FMAP Funding

General Assembly Action: Added language to restore \$469,454 in FY 2011 for disability services provided through Centers for Independent Living if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The language would allow the Governor discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012.
- Virginia is estimated to receive \$417.1 million through from the receipt of the enhanced FMAP. Of this amount, about \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding. Of the remaining amount, about 64 percent is allocated to restore amounts reduced in FY 2012.

Amendment No. 42
Item 327 - Department of Social Services
Supplant General Fund with Surplus TANF

General Assembly Action: No action.

Governor's Action: Proposes an amendment to supplant almost \$5.4 million GF for the Temporary Assistance to Needy Families (TANF) program with federal TANF funds in order to fund a shortfall in child support enforcement operations. Because the general fund amount counts towards the state's TANF maintenance of effort (MOE), eligible spending in the state pre-K program will be recognized as MOE. Companion amendments numbered 43 and 51 contain actions to reduce federal TANF spending on child support supplemental payments, Health Families, Community Action Agencies and Homeless Assistance and Prevention programs in order to free up general fund amounts in this amendment. A separate amendment (number 45) in Item 329 provides the general fund appropriation for child support enforcement operations.

Amendment No. 43
Item 327 - Department of Social Services
Reduce TANF Spending for Supplemental Child Support Payments

General Assembly Action: No action.

Governor's Action: Reduces \$2.4 million in federal Temporary Assistance to Needy Families (TANF) support in FY 2011 for child support supplements for TANF recipients. The explanatory note indicates that TANF amount that is made available from this action will be used to supplant general fund amounts for TANF in order to fund a shortfall in child support enforcement operations. Because the general fund amount counts towards the state's TANF maintenance of effort (MOE), eligible spending in the state pre-K program will be recognized as MOE. Companion amendments numbered 42 and 45 contain actions to supplant the TANF general fund spending and provide it for child support enforcement operations.

Notes:

- This amendment is one of a series used to free up funding to provide funding for child support enforcement operations proposed in amendment number 45. This allows the federal TANF funding to supplant general fund support for TANF in amendment 42, which is then appropriated for child support enforcement.
- Child support supplemental payments are provided to recipients of TANF cash assistance in an amount equal to the current child support collected by the Division of Child Support Enforcement for each such recipient, less any income disregard passed through to the recipient pursuant to any other provision of law.
- TANF child support supplemental payments have been provided to eligible TANF recipients since FY 2003, in varying amounts depending on the availability of surplus TANF funds.

Amendment No. 44
Item 328 - Department of Social Services
Language - Permit Allocation of FMAP Funding

General Assembly Action: Reduced financial assistance for local social services departments by a total of \$2.8 million (2.4 percent) in FY 2011 and \$5.8 million GF (5 percent) in FY 2012. Language was added to restore \$1.6 million in FY 2011 and \$4.6 million in FY 2012 for local social services departments if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The language would allow the Governor the discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012.
- Virginia is estimated to receive \$417.1 million through from the receipt of the enhanced FMAP. Of this amount, about \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding. Of the remaining amount, about 64 percent is allocated to restore amounts reduced in FY 2012.

**Amendment No. 45
Item 329 - Department of Social Services
Maintain Child Support Enforcement Operations**

General Assembly Action: No action.

Governor's Action: Proposes an amendment to appropriate \$5.0 million for an anticipated shortfall in funding for child support enforcement operations. The explanatory note indicates that this expenditure will be covered by savings from reducing discretionary spending in the Temporary Assistance to Needy Families program. Companion amendments numbered 42, 43 and 51 provide the savings to offset this expenditure.

Notes:

- The 2009 General Assembly supplanted \$6.6 million GF operating support with federal performance incentive awards provided to Virginia as a high performing state. Federal ARRA legislation allowed states to use their performance incentive awards as state match for federal child support enforcement funds.
- The introduced budget did not adjust the base budget for child support enforcement to reflect the temporary nature of the ARRA funding which is due to expire on September 30, 2010.

- A decline in child support collections on behalf of TANF recipients has further exacerbated the general fund shortfall since a portion of these collections are retained for child support enforcement operations.

Amendment No. 46
Item 330 - Department of Social Services
Language - Permit Allocation of FMAP Funding

General Assembly Action: Added language to restore \$1.0 GF in FY 2011 for chore and companion services and \$1.0 million in FY 2011 for other social services purchased through local social services departments for low-income children, elderly and adults if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The language would allow the Governor discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012.
- Virginia is estimated to receive \$417.1 million through from the receipt of the enhanced FMAP. Of this amount, about \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding. Of the remaining amount, about 64 percent is allocated to restore amounts reduced in FY 2012.

Amendment No. 47
Item 330 - Department of Social Services
Reduce Support for Local Departments of Social Services

General Assembly Action: Reduced funding by \$1.0 million GF each year of the biennium for social services purchased through local departments of social services, termed "other purchased services. Language was added to restore \$1.0 million in FY 2011 if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action: Proposes an amendment to further reduce funding for other purchased services in FY 2012 by \$1.8 million GF, eliminating all remaining support for this funding category.

Notes:

- “Other purchased services” is an optional category of funding for state aid to local social services departments. Expenditures are made for items that cannot be purchased through other funding sources and are typically used for services associated with protecting abused, neglected, or exploited adults and children.

**Amendment No. 48
Item 331 - Department of Social Services
Language - Permit Allocation of FMAP Funding**

General Assembly Action: Reduced general fund spending for child welfare services in two separate actions. One action supplanted \$1.0 million GF each year with federal Social Services Block Grant (SSBG) funds. The second action reduced funding by \$3.0 million in Child Welfare Services. Language was added to restore the first year reduction if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The language would allow the Governor discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012.
- Virginia is estimated to receive \$417.1 million through from the receipt of the enhanced FMAP. Of this amount, about \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding. Of the remaining amount, about 64 percent is allocated to restore amounts reduced in FY 2012.

Amendment No. 49
Item 332 - Department of Social Services
Technical - Limit General Relief Reduction to Child-only Population

General Assembly Action: Reduced \$2.4 million GF each year to the General Relief program and added language to restore \$2.4 in FY 2011 for the General Relief Program if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action (Technical): Adds language limiting remaining funding for the General Relief program to child-only cases if the budget reduction strategy is enacted and the state does not receive additional enhanced FMAP under the American Recover and Reinvestment Act of 2009 (P.L. 111-5).

Notes:

- The General Relief Program is an optional local program designed to provide assistance to impoverished individuals, either maintenance or emergency, which cannot be provided through any other means.
- General Relief may include assistance for medical or dental services, burial expenses, assistance for unattached children and interim assistance.
- Many localities administering a General Relief Program provide services for needy children, who would otherwise qualify for Temporary Assistance to Needy Families (TANF), except that the relationship to their caregiver does not meet the requirements as a “relative” under the TANF program rules and regulations. These children are termed “unattached children.”

Amendment No. 50
Item 332 - Department of Social Services
Language - Permit Allocation of FMAP Funding

General Assembly Action: Reduced \$2.4 million GF each year to the General Relief program and added language to restore \$2.4 in FY 2011 and FY 2012 for the General Relief Program if Virginia receives an additional two quarters of federal Medicaid matching funds (FMAP) in FY 2011.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The General Relief Program is an optional local program designed to provide assistance to impoverished individuals, either maintenance or emergency, which cannot be provided through any other means.
- The language would allow the Governor discretion to either partially or fully change the allocation of the enhanced FMAP for any of the provider rates, eligibility changes or services that are proposed for restoration in either FY 2011 or FY 2012.
- Virginia is estimated to receive \$417.1 million through from the receipt of the enhanced FMAP. Of this amount, about \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding. Of the remaining amount, about 64 percent is allocated to restore amounts reduced in FY 2012.

**Amendment No. 51
Item 333 - Department of Social Services
Reduce TANF Spending for Nonstate Entities**

General Assembly Action: Added language to reduce \$1.4 million the first year and \$2.0 million the second year from an increased appropriation of general fund dollars for Healthy Families Virginia. The introduced budget had restored general fund support and phased out federal Temporary Assistance to Needy Families (TANF) funding for the program in the 2010-2012 biennium. With these reductions, the Healthy Families program would receive \$3.6 million from the federal TANF block grant in the first year and \$2.9 million from general funds the second year. Language was added to restore \$1.4 million in FY 2011 if Congress passes a six-month extension of increased Federal Medical Assistance Percentage (FMAP) through June 30, 2011. The adopted budget also phased out federal TANF funding for Community Action Agencies and Homeless Assistance and Prevention programs. In FY 2011, the budget provides \$1.1 million from TANF funds to Community Action Agencies and \$1.2 million from TANF funds for Homeless Assistance and Prevention programs.

Governor's Action: Proposes an amendment to reduce TANF funding in FY 2011 by almost \$3.0 million in Healthy Families, Community Action Agencies and Homeless Assistance and Prevention programs order to supplant the general fund amount currently used to support TANF. The explanatory note indicates that general fund amount that is made available from this action will be used to fund child support enforcement operations. Because the general fund amount counts towards the state's TANF maintenance of effort (MOE), eligible spending in the state pre-K program will be recognized as MOE. A companion amendment No. 42 uses this savings in federal TANF funding to supplant a portion of general fund spending in TANF. A companion amendment in Item 327 (amendment No. 43) provides additional federal TANF savings and an

amendment in Item 329 (amendment No. 45) provides the general fund appropriation for child support enforcement operations.

Amendment No. 52
Item 333 - Department of Social Services
Language - Permit Allocation of FMAP Funding

General Assembly Action: Added language to reduce \$1.4 million the first year and \$2.0 million the second year from an increased appropriation of general fund dollars for Healthy Families Virginia. The introduced budget had restored general fund support and phased out federal Temporary Assistance to Needy Families (TANF) funding for the program in the 2010-2012 biennium. With these reductions, the Healthy Families program would receive \$3.6 million from the federal TANF block grant in the first year and \$2.9 million from general funds the second year. Language was added to restore \$1.4 million in FY 2011 if Congress passes a six-month extension of increased Federal Medical Assistance Percentage (FMAP) through June 30, 2011.

Governor's Action: Proposes an amendment to allow the Governor to make changes to how the additional FMAP is allocated to match the actual amount of funding received. The total amount of the restorations may exceed the amount the state is expected to receive by up to \$13.8 million in FY 2012.

Notes:

- The Healthy Families program allocates state funding among 38 community partners to provide home-visiting services to at-risk families with the goals of improving pregnancy outcomes and child health, promoting positive parenting practices, promoting child development, and preventing child abuse and neglect.
- Virginia is estimated to receive \$417.1 million through from the receipt of the enhanced FMAP. Of this amount, about \$45.8 million would be used to restore certain Medicaid eligibility reductions and other reductions in FY 2011 that would jeopardize the receipt of the enhanced federal funding. Of the remaining amount, about 64 percent is allocated to restore amounts reduced in FY 2012.

Amendment No. 53
Item 354 – Department of Environmental Quality
Language – Clarification of Solid Waste Fee Increase Provisions

General Assembly Action: Provided authorization for the Department of Environmental Quality’s Waste Management Board to increase the fees for the processing of hazardous and solid waste permits in order to offset a portion of the general fund costs for the processing of these permits and the inspections required by those permits. The fees, which were projected to cover at least 58 percent of these costs, were expected to generate \$1.25 million annually.

Governor's Action (Technical): The proposed amendment limits the increase in fees to no more than 60 percent of the direct costs of the permit processing and inspection costs and adds language for the creation of a stakeholder group to review the appropriate structure for solid wastes fees. This stakeholder group is to provide its recommendations to the Secretary of Natural Resources and Chairmen of the House Appropriations and Senate Finance Committees by December 1, 2010.

Amendment No. 54
Item 355 - Department of Environmental Quality
Language – Clarification of Water Permit Fee Increase Provisions

General Assembly Action: Provided authorization for the Department of Environmental Quality’s State Water Control Board to increase the fees for the processing of Virginia Pollution Discharge Elimination System and Virginia Pollution Abatement permits in order to offset a portion of the general fund costs for the processing of these permits and the inspections required by those permits. The fees, which were projected to cover at least 39 percent of these costs, were expected to generate \$1.25 million annually.

Governor's Action (Technical): The proposed amendment limits the increase in fees to no more than 50 percent of the direct costs of processing these permits and ensuring their compliance.

Amendment No. 55
Item 377 - Department of Corrections
Language – Elimination of Regional Jail Authorization

General Assembly Action: Adopted language providing for the reimbursement of the Commonwealth’s share of the costs of construction of a regional jail for Rappahannock, Shenandoah, and Warren counties after July 1, 2014 following the establishment of a memorandum of agreement to house state-responsible inmates at no cost to the Commonwealth.

Governor's Action: The proposed amendment deletes this language. A companion amendment authorizes \$32.8 million in debt for the state's share of the construction costs for this regional jail beginning July 2012.

Amendment No. 56
Item 377 - Department of Corrections
Language – Definition of State-Responsible Offender

General Assembly Action: Adopted language re-defining a state-responsible offender as someone sentenced to the Department of Corrections or sentenced to confinement in jail for a period of two years or more.

Governor's Action: The proposed amendment eliminates the change in the definition of a state-responsible offender and provides language directing a task force to be created to examine the ramifications of changing the definition of a state-responsible inmate. This task force will be lead by the Secretaries of Finance, Public Safety, and Administration. The task force's findings and recommendations will be reported to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2010.

Amendment No. 57
Item 379 – Department of Corrections
Restoration of First Year Reduction from Facility Closings

General Assembly Action: Captured \$1.3 million in general fund savings in FY 2011 and nearly \$11.0 million in general fund savings in FY 2012 from the Department of Corrections through strategies that included the possible closure of additional facilities.

Governor's Action: The proposed amendment restores the \$1.3 million captured in the first year and includes language requiring the department to prepare an assessment of which correctional facilities it may be appropriate to close in the future, while still assuming the \$11.0 million savings in FY 2012. That assessment is to be based on the inmate population forecast, the physical condition of correctional facilities, the costs of operating and maintaining correctional facilities, the projected need for correctional beds by security level, the net savings realized from any closure and the facility's contribution to agency functions.

Amendment No. 58
Item 380 – Department of Corrections
Language – Elimination of Early Release for Nonviolent Offenders

General Assembly Action: Adopted language contained in the introduced budget permitting the Director of the Department of Corrections to release nonviolent offenders up to 90 days before the conclusion of their prison term.

Governor's Action: The proposed amendment eliminates the language.

Amendment No. 59
Item 381 – Department of Criminal Justice Services
Funding for Training about Alzheimer's and Other Memory Impairments

General Assembly Action: Captured \$50,000 in general fund savings each year from the elimination of training for law enforcement officers and first responders about the management of people with Alzheimer's or other memory impairments.

Governor's Action: Restores \$50,000 in general fund support in FY 2011. Associated language makes the Department of Criminal Justice Services responsible for providing this training and for researching whether any non-profit organizations could support this program in FY 2012 and beyond.

Amendment No. 60
Item 396 – Department of Forensic Science
Language – Provide Flexibility for Administrative Reductions

General Assembly Action: Reduced the Department of Forensic Science's general fund administrative expenses by \$271,728 in FY 2011 and \$282,728 in FY 2012, including the elimination of two management positions.

Governor's Action (Technical): The proposed amendment provides the agency with flexibility to determine whether the management positions should be eliminated.

Amendment No. 61
Item 397 – Department of Juvenile Justice
Language – Ensure Rent is not Paid for Closed Facility

General Assembly Action: Captured general fund savings of \$400,000 each year from closing one of the Department of Juvenile Justice’s three state-operated halfway houses.

Governor's Action (Technical): The proposed amendment adds language ensuring the Department of Juvenile Justice does not pay rent for the building in which the closed halfway house was located.

Amendment No. 62
Item 399 - Department of Juvenile Justice
Provide Support for Commonwealth Challenge Program

General Assembly Action: Eliminated general fund support for the Commonwealth Challenge program operated by the Virginia National Guard over a two-year period. Produced general fund savings of \$600,000 the first year and \$1.3 million the second year.

Governor's Action: The proposed amendment restores funding for the Commonwealth Challenge program using funding from the Juvenile Community Crime Control Act. Like other programs supported by this funding source, the Commonwealth Challenge program addresses at-risk youth.

Amendment No. 63
Item 306 - Department of Veterans Services
Capture Savings from Office Closure

General Assembly Action: No action.

Governor's Action (Technical): Proposes an amendment capturing \$74,500 in general fund savings each year from co-locating the Department of Veterans Services’ Washington, D.C. appeals office within its Fairfax regional office.

Amendment No. 64
Item 416 – Parole Board
Full-Time Members of the Parole Board

General Assembly Action: Provided an additional \$62,533 in general fund support each year to restore the Parole Board’s chairman and vice-chairman as full-time positions.

Governor's Action: The proposed amendment provides \$62,533 in general fund support in FY 2011 for an additional full-time Parole Board member and augments the agency’s position count to reflect the restoration of full-time members. Language also indicates the salaries that will be paid for full-time Parole Board members.

Amendment No. 65
Item 432 – Virginia Information Technologies Agency
Language – Conform References to Adopted Legislation

General Assembly Action: No action.

Governor's Action (Technical): The proposed amendment conforms language contained in the introduced budget requiring the development of strategies to reduce technology and telecommunications rates and service fees to reflect the reassignment of the former Information Technology Investment Board’s responsibilities to the Chief Information Officer and Secretary of Technology.

Amendment No. 66
Item 433 – Virginia Information Technologies Agency
Language – Conform References to Adopted Legislation

General Assembly Action: No action.

Governor's Action (Technical): The proposed amendment conforms the language contained in the introduced budget involving references to the Chief Applications Officer and Information Technology Investment Board to reflect the reassignment of these two entities’ responsibilities to either the Chief Information Officer or Secretary of Technology.

Amendment No. 67
Item 434 – Virginia Information Technologies Agency
Language – Conform References to Adopted Legislation

General Assembly Action: No action.

Governor's Action (Technical): The proposed amendment conforms language contained in the introduced budget involving references to the Information Technology Investment Board to reflect the reassignment of the board's responsibilities to the Chief Information Officer and Secretary of Technology. The amendment also eliminates previously existing language about the powers of the board's chairman.

Amendment No. 68
Item 434 – Virginia Information Technologies Agency
Language - Reporting about Contract Modifications for IT Infrastructure

General Assembly Action: The adopted budget included language requiring the Chief Information Officer and Secretary of Technology to provide the Chairmen of the House Appropriations and Senate Finance Committees with an analysis of the fiscal impact of any proposed contract modifications to the comprehensive agreement between VITA and Northrop Grumman prior to those modifications' execution.

Governor's Action: Modifications to the contract between VITA and Northrop Grumman were agreed to on March 31, 2010. Because of that action, the Governor's proposed amendment provides for the submission of two reports related to the modification of the contract. The first report, to be submitted within 30 days following the execution of the contract modifications, would describe the contract modifications and their fiscal impacts. The second report submitted by the Chief Information Officer 15 days before June 25, 2010 and December 31, 2010, would describe activities, progress, and performance improvements related to the operational and contractual changes to the contract. This report will be submitted to the Governor, the Chairmen of the House Appropriations and Senate Finance Committees, the Secretary of Technology, the Department of Planning and Budget, and JLARC.

Amendment No. 69
Item 434 – Virginia Information Technologies Agency
Language – Action Plan for VITA

General Assembly Action: Approved language directing how any reorganization of the Virginia Information Technologies Agency would proceed and restricting how any position reductions should be accomplished.

Governor's Action: The proposed amendment strikes the adopted language and requires the Chief Information Officer (CIO) to develop and implement a plan to improve the productivity, efficiency, and effectiveness of VITA. This plan is to be submitted to the Governor, Secretary of Technology, and the Chairmen of the House Appropriations and Senate Finance Committees by September 1, 2010, and include the estimated dollar and position savings for each year of the biennium. In addition, the CIO is required to provide an annual assessment of VITA's organization to be provided reported by June 30 of each year.

Amendment No. 70
Item 457 – Department of Transportation
Language – Conform Technology References to Adopted Legislation

General Assembly Action: No action.

Governor's Action (Technical): The proposed amendment conforms existing budget language about the adoption of data standards for use by the Department of Transportation's automated systems and other enterprise applications projects to reflect the statutory revisions that reassigned the responsibilities of the Chief Applications Officer and Information Technology Investment Board to either the Chief Information Officer or Secretary of Technology.

Amendment No. 71
Item 462 – Virginia Port Authority
Language – Adjust Authorization Date for Craney Island Bonds

General Assembly Action: No action taken.

Governor's Action: (Technical) The Governor's proposed language amendment would amend language in HB 30 that restricted any debt service payments for the previously authorized \$155 million in VPA bonds being paid before fiscal year 2013. These bonds are for work on the Craney Island Marine Terminal and the language change would allow for the possibility of issuing the debt at an earlier date if the VPA has sufficient revenue to support the debt service.

Amendment No. 72
Item 466 – Central Appropriations
Productivity Investment Fund

General Assembly Action: Approved the elimination of the Productivity Investment Fund, which produced \$500,000 in general fund savings for FY 2011. There was no second year appropriation for the fund.

Governor's Action: The proposed amendment restores the \$500,000 for this fund and includes language requiring this fund to be used to support technology-based or other reengineering approaches to improving state government efficiency, effectiveness, and customer service.

Amendment No. 73
Item 469 – Central Appropriations
Language – Clarify State Employee Health Insurance Coverage Changes

General Assembly Action: The General Assembly adopted budget assumed a 3% premium increase in FY 2011 for the state employee health insurance fund and assumed no changes to the current benefit structure for the program. The General Assembly budget specifically rejected three benefit changes assumed in the introduced budget. These changes were, the development of a special network for maintenance drugs and the elimination of coverage non-sedating antihistamines and erectile dysfunction drugs

Governor's Action: The Governor's amendment inserts language in the budget requiring the development of a special network for maintenance drugs and eliminating coverage for non-sedating antihistamines and erectile dysfunction drugs.

Notes:

- The proposed language establishing a special network for maintenance drugs would reduce reimbursements paid to pharmacies between 8% and 10%.
- There are approximately 470 independent retail pharmacies in Virginia (approximately 1/3 of all participating pharmacies) and 1,120 chain pharmacies.
- The 470 independent retail pharmacies are less likely to be to participate because they are unable to absorb the 8% to 10% rate reduction.
- Total expenditures for the maintenance drugs that would be in this special network is around \$43.3 million a year (the estimated total fund savings would be around \$3.9 million a year - \$1.8 million GF).

Amendment No. 74
Item 469 – Central Appropriations
Language – Correct Group Life Rate

General Assembly Action: The General Assembly adopted budget assumed the contribution rate paid to the VRS for group life insurance on behalf of state employees would be 0.33%. The budget did assume the contribution rate paid to the VRS on behalf of teachers would be 0.28%. The budget assumed savings of \$25.9 million in FY 2011 and \$27.0 million in FY 2012 from reduced payments for group life insurance on behalf of state employees.

Governor's Action (Technical): The proposed amendment changes the group life insurance rate for state employees to 0.28% which is consistent with the rate assumed for the teacher group life benefit. The Department of Planning and Budget has stated that based on their revised calculations the savings amounts assumed in the budget are consistent with the 0.28% contribution rate level and does not generate any additional savings.

Amendment No. 75
Item 469 – Central Appropriations
Use of Benefit Rates' Savings

General Assembly Action: Funded VRS based on the actuarial 'normal' contribution rate of 3.93% for teacher retirement in FY 2011 and the 'normal' rate plus 20% of the unfunded liability rate for a total rate of 5.16% in FY 2012 as compared to the VRS rate of 10.49% included in HB30 for both years. These lower rates also take into account action taken in HB 1189 to reform VRS structure. This collective action generated significant savings for both the state and local school divisions. The adopted budget reflects a state savings of \$189 million in FY 2011 and \$156 million in FY 2012. In addition to the \$345 million biennial savings for the state, the local division savings from reduced benefit rates are estimated to be over \$500 million over the biennium. It is the intent of the General Assembly that school divisions to use and reprogram the funding saved from lower VRS payments to offset some of the state reductions in other K-12 areas of their budgets.

Governor's Action: The proposed amendment inserts language that expects localities will use the estimated local VRS savings of \$500 million over the biennium to help maintain funding levels for both local schools and law enforcement. The amendment's explanation further states that as part of adopting the lower contribution rates it was the intent of the General Assembly that the local savings were to be used for both purposes.

Note:

- The action of the General Assembly did not impact VRS rate and associated savings for local government employees.

- The saving for each school division is derived from lower VRS rates for all school employees.

Amendment No. 76
Item 469 – Central Appropriations
Modify Local Retirement Language

General Assembly Action: Rejected the introduced budget’s proposal that would have required current state employees to pay 1% of their salary in FY 2011 and 2% in FY 2012 toward the employee’s VRS retirement 5% rate that the state currently pays on behalf of state workers. Additional action clarified the language which was included in the introduced budget that provided authorization for localities and school boards to reinstitute the requirement that current employees pay the 5% employee VRS contribution, or require them to contribute any portion of the 5%.

Governor's Action: Strikes the adopted budget language which had authorized localities to require current employees to pay up to the 5% employee rate and adds language which stipulates that employers that had previously elected to pay the 5% employee contribution, such election is irrevocable.

Amendment No. 77
Item 469 - Central Appropriations
Modify Potential Bonus Language

General Assembly Action: The General Assembly adopted budget included language authorizing a 3% bonus for state employees in FY 2011, at a cost of approximately \$82.2 million GF, contingent on FY 2010 revenues exceeding the 2010 GF appropriation by the \$82.2 million amount. The language authorized the bonus on a prorated basis should the revenues exceed the appropriation by less than the \$82.2 million amount.

Governor's Action: Modifies the bonus language to allow the Governor to utilize any unspent GF balances realized from FY 2010 agency appropriations along with any revenues in excess of the forecast in the calculation used to determine the amount of bonus.

Amendment No. 78
Item 473 - Central Appropriations
Capture Dominion Power Rate Savings

General Assembly Action: The General Assembly adopted budget assumed \$7.1 million in revenues in FY 2010 as a result of savings as a result of the Virginia Dominion Power rate reduction approved by the State Corporation Commission in March of 2010. The budget did not assume any savings in FY 2011 or 2012.

Governor's Action: This amendment assumes GF savings of \$551,301 in FY 2011 and \$218,223 in FY 2012 as a result of the rate reduction. Amendment number 85 is a companion amendment which transfers to the GF \$523,843 in FY 2011 and \$207,355 in FY 2012 in NGF savings. The savings for FY 2012 is less than half of the FY 2011 amount due to the fact that the rate decrease is temporary.

Amendment No. 79
Item C-76.10 – Southwest Virginia Higher Education Center
New Medical School

General Assembly Action: The Senate amendment requested a study on the financial feasibility for new medical school at the Southwest Virginia Higher Education Center. The medical school would be run by King College, a private, out-of-state, baccalaureate institution. **The House Conferees rejected the Senate request for study language.**

Governor's Action: The proposed amendment moves beyond just study language and authorizes \$20.0 million in VCBA bonds to construct a medical school at the Southwest Virginia Higher Education Center.

Notes:

- No new debt capacity is available according to the Debt Capacity Advisory Committee for next four years; however this amendment authorizes debt in July 2013.
- All other debt authorizations in the budget are subject to the plan to be developed by the Secretary of Finance prior to the 2011 Session.
- State recently invested \$60 million for a new medical school / research facility in Roanoke under a Virginia Tech / Carilion partnership. One of the goals of the new medical school is to expand medical service for the southwest part of the state. In addition, a private school of osteopathic medicine already exists in Blacksburg. Would a medical school in Abingdon be duplicative?

- The new VT / Carilion medical school will have an enrollment of 160 students within four years. In addition, the medical schools at VCU and EVMS have already committed to increasing enrollment at their medical schools by more than 400 students as part of the Commonwealth's recent capital investments. The Commonwealth may want to first examine the need and the optimal location for another medical school before considering construction.
- Unlike the VT / Carilion and EVMS initiatives, SCHEV has not reviewed this proposal programmatically or financially.
- This amendment would construct a facility for a private, out-of-state college. We currently do not provide debt for private in-state colleges.
- King College is contemplated to provide the medical education. King College is a baccalaureate institution with less than 1,300 students. Typically, institutions operating medical schools are a part of large doctoral research institutions.
- In a December 6, 2009 article, the Bristol Herald Courier reported that King College was sanctioned by the SACS accrediting agency for 2009 for:
 - lacking an adequate number of qualified faculty;
 - failing to offer student access to adequate library resources and services;
 - failing in some areas to properly plan and evaluate;
 - failing to assess student college-level competencies;
 - failing to perform faculty evaluations; and,
 - lacking sufficient, qualified staffing in the library and student affairs departments.
- While the college had its accreditation reaffirmed in December 2009, if the college has difficulty providing adequate resources as a baccalaureate institution, it calls into question the financial ability of the college to undertake a resource-intensive initiative to develop a quality professional medical school. The Commonwealth would likely find itself with having to financially support a private, out-of-state institution which raises Constitutional questions.

Amendment No. 80
Item C-84 – Central Capital Outlay
Provide Additional Maintenance Reserve Debt Authority

General Assembly Action: Eliminated the proposed \$15 million GF in the introduced budget. HB 30, as adopted, included \$50 million each year in VPBA bonds for maintenance reserve subject to the completion of a debt study by the Secretary of Finance.

Governor's Action: The proposed amendment authorizes an additional \$15 million in VPBA bonds to supplant the general fund reduction.

Amendment No. 81
Item C-85 – Central Capital Outlay
Clarify Source of Bond Funding

General Assembly Action: No action.

Governor's Action (Technical): The proposed amendment clarifies that bonds authorized in this item can be funded through VCBA or VPBA bonds, as appropriate.

Amendment No. 82
Item C-85 – Central Capital Outlay
Add Potomac Science Center to Bond Authorization

General Assembly Action: No action.

Governor's Action (Technical): The proposed amendment clarifies that the Potomac Science Center is also eligible for funding under the bond authorization contained in this item. In addition, the amendment allows for the use of nongeneral funds to complete project planning consistent with the provisions of Chapter 1, 2008 Special Session I.

Amendment No. 83
Item 3-1.01 – Interfund Transfers
Eliminates Cost Recoveries for Taxation from Commodities Boards

General Assembly Action: The General Assembly, after consulting with the Department of Taxation on special taxes they collect for which they do not recover their costs, included a transfer

reflecting the unrecovered costs incurred by the Department for the respective taxes. In total, these generated \$92,550 each year of the biennium.

Governor's Action: The Governor's proposed amendment would remove a \$22,734 cost recovery transfer from a number of agricultural commodity boards to the Department of Taxation. The Commodity Boards removed in the amendment are: the Apple, Egg Promotion, Soybean, Corn, Small Grain, Assessment of Sheep Sold and Cotton Tax Assessment. Cost recoveries remain for the Litter Tax, Aircraft Sales and Use Tax and the Soft Drink Excise Tax.

Amendment No. 84
Item 3-1.01 – Interfund Transfers
Capture Dominion Power Rate Savings

General Assembly Action: The General Assembly adopted budget assumed \$7.1 million in revenues in FY 2010 as a result of savings as a result of the Virginia Dominion Power rate reduction approved by the State Corporation Commission in March of 2010. The budget did not assume any savings in FY 2011 or 2012.

Governor's Action: This amendment assumes transfers to the GF of \$523,843 in FY 2011 and \$207,355 in FY 2012 in NGF savings. Out of this amount, \$149,982 in the first year and \$59,368 in the second year is set aside as the federal share of the savings. Amendment number 78 is a companion amendment which assumes GF savings of \$551,301 in FY 2011 and \$218,223 in FY 2012 as a result of the rate reduction.

Amendment No. 85
Item 3-1.01 – Interfund Transfers
Adjust State Corporation Commission Unobligated Transfer Amounts

General Assembly Action: The General Assembly adopted budget assumed \$20.0 million in additional resources from the transfer of unobligated nongeneral fund balances from the State Corporation Commission. The budget assumed \$10.0 million in transfers in each year.

Governor's Action (Technical): Adjusts the distribution of the \$20.0 million so that \$12.0 million would be transferred in FY 2011 and \$8.0 million in FY 2012.

Amendment No. 86
Item 3-1.01 – Transfers

Language - Repayment of Enterprise Applications Working Capital Fund

General Assembly Action: Rejected the introduced budget's allocation of general fund savings from reductions in durable medical equipment rates from being used to repay the working capital advance for enterprise applications projects. Instead, the general fund savings from these rate reductions were deposited to the general fund.

Governor's Action (Technical): The proposed amendment adds language stating that if any additional savings are derived from these reductions in durable medical equipment rates, then these additional sums would be used to repay the working capital advance for the enterprise applications projects.

Amendment No. 87
Item 3-1.01 – Transfers
Language – Interest Earnings

General Assembly Action: No action.

Governor's Action (Technical): Currently, language directs the State Comptroller to reverse any transfer that violates federal statute or regulation. The proposed amendment adds language to this section directing the State Comptroller to reverse any transfer that violates a Virginia Constitutional requirement.

Amendment No. 88
Item 3-5.02 – Adjustments and Modifications to Tax Collections
Language- Retaliatory Tax Credit

General Assembly Action: No amendment was proposed relating to the retaliatory tax credit and thus no action was taken by the General Assembly.

Governor's Action: The Governor's proposed amendment increases the statutory cap of the Tax Credit for Retaliatory Costs to Other States for companies that received a credit for taxable year 2000 from \$800,000 to \$1.6 million.

Amendment No. 89

Item 3-5.08 - Adjustments and Modifications to Tax Collections Language – Expedite Timeline for Phase-Out of Accelerated Sales Tax

General Assembly Action: The General Assembly adopted the proposal included in the introduced budget to implement an accelerated sales tax (AST) collection for the month of June each year beginning in FY 2010. The adopted budget added language expressing the intent of the General Assembly to begin the phase-out of AST by FY 2015.

Governor's Action: The Governor's proposed language amendment would begin the phase-out of the accelerated sales tax in FY 2013 instead of FY 2015.

Amendment No. 90

Item 3-5.09 - Adjustments and Modifications to Tax Collections Changes Repeal of Dealer Discount to Suspension

General Assembly Action: Modified a proposal included in House Bill 30 as introduced relating to the so-called "Dealer Discount" or payment made to merchants who collect Virginia retail sales and use taxes. The adopted budget eliminated this payment to retailers who already make their payments electronically, and reduced by 60% the payments made by all other retailers.

Governor's Action: The Governor's proposed amendment expresses the intent that the dealer discount is "suspended" and not repealed.

Amendment No. 91

Item 4-5.04 – Special Conditions and Restrictions on Expenditures Abortion Services

General Assembly Action: No action.

Governor's Action: Proposes an amendment prohibit expenditures from general or nongeneral fund sources for the provision of abortion services, unless required by federal law or state statute.

Notes:

- Federal law requires abortion services to be covered in the Medicaid program when there is "substantial endangerment" of the life of the mother, and in the case of rape or incest.

Consequently, the provision of abortion services in these instances would not be affected by the proposed language change.

- State statute also provides for the coverage of abortion services for low-income women who would otherwise meet the financial requirements for Medicaid in the case of rape or incest (Code of Virginia, §32.1-92.1), or if the fetus is believed to have a “gross and totally incapacitating” physical deformity or mental deficiency (Code of Virginia, §32.1-92.2). The provision of abortion services in these instances would not be affected by the proposed language change.
- State Medicaid regulations provide Medicaid coverage for abortions that are performed when there is “substantial endangerment” of the health of the mother. The proposed language would prohibit continuation of coverage for abortion services in these instances.

Amendment No. 92
Item 4-7.01 – General Provisions
Language – Positions Exempt from Hiring Freezes

General Assembly Action: No action. Section 4-7.01 of the General Provisions governs the Commonwealth’s Manpower Control Program. Among its provisions, this section exempts certain positions from any administratively imposed hiring freeze. These positions include those assigned to public safety, public health, institutional higher education, and natural resources agencies, as well as the staff who provide direct patient care services or who are essential to the safe and efficient operation of state facilities.

Governor's Action: The proposed amendment eliminates the existing language and substitutes language stating that prior to the imposition of any hiring freeze, the Governor shall consider exempting certain positions needed to safely and efficiently operate state facilities or to perform essential services such as public safety and public health functions.

Notes:

- The existing language regarding the positions exempted from administrative hiring freezes has been contained in the Appropriation Act’s General Provisions since 1996.

Amendment No. 93
Item 4-9.02 – Higher education Restructuring
Language – VCU Reporting Requirements

General Assembly Action: No action.

Governor's Action (Technical): The proposed amendment clarifies the reporting and performance requirements for VCU as a Level III institution.

Amendment No. 94
Item 5-0.00 – Additional Enactments
Increase in Misdemeanor Conviction/Felony Indictment Fees

General Assembly Action: No action.

Governor's Action: The Governor's proposed amendment would increase the fees for certain felony indictments from \$15 to \$40 per count and the fees for certain misdemeanor convictions from \$5 to \$15 per count. This is anticipated to generate \$630,000 each year.

Amendment No. 95
Item 5-0.00 – Additional Enactments
Increase in Fines for Exceeding Speed Limit

General Assembly Action: No action.

Governor's Action: The Governor's proposed amendment increases the per mile fine for driving in excess of the speed limit from \$5 to \$6, and for infractions in school and highway work zones, the fine is increased to \$7 per mile in excess of the posted speed limit, and \$8 per mile in excess of the posted speed limit in residential areas. This is anticipated to generate \$3,575,000 each year.

Notes:

- Because these are fines, the revenues generated are deposited into the Literary Fund. A companion amendment reduces to the GF amounts of direct aid to public education and replaces them with additional Literary Fund amounts.
- This increase also applies to fines assessed under local ordinance, and is anticipated to generate \$2.0 million each year for counties, cities and towns.

Amendment No. 96
Item 5-0.00 – Additional Enactments
Language – Maintain § 199 Domestic Production Exemption

General Assembly Action: General Assembly phased-out the federal § 199 domestic production by maintaining TY 2009 deduction levels (6%) in Tax Year 2010, and reducing the deduction level to 3% in Tax Year 2011. This federal tax deduction was set to increase to 9% in Tax Year 2010 and had been fully eliminated in HB 30 as introduced. More than 20 other states, including DC, GA, MD, NC, SC, TN and WV already have deconformed from this federal provision first adopted in 2004.

Governor's Action: The proposed amendment maintains the deduction at the 6% for Tax Years 2010 and 2011 at a cost of \$10.0 million in FY 2012. A companion amendment to HB 29 is included as well.