

Governor McDonnell's Proposed Amendments to FY 2012 of the 2010-2012 Biennial Budget and the Proposed Biennial Budget for the 2012-2014 Biennium

*A briefing for the Joint Meeting of the Senate Finance Committee,
House Appropriations Committee, and the House Finance Committee*

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The HB/SB 29 (Caboose) Budget

Overview of Available Resources

The current budget, Chapter 890, included a planned carryover balance from FY 2011 to FY 2012 of \$265.4 million, which is the starting point . . .

**Chapter 890, 2011 Acts of Assembly
General Fund Only**

	FY 2011	FY 2012
General Fund Resources		
Prior Year Balance	\$ 491.2	\$ 265.4
Additions to Balance	90.0	229.4
Revenue Forecast	14,718.5	15,595.6
Transfers	423.1	468.6
Total Resources	<u><u>\$ 15,722.9</u></u>	<u><u>\$ 16,559.1</u></u>
General Fund Appropriations		
Operating	\$ 15,457.5	\$ 16,548.0
Capital	-	8.9
Total Expenditures	<u><u>\$ 15,457.5</u></u>	<u><u>\$ 16,556.9</u></u>
General Fund Balance at Year-End	\$ 265.4	\$ 2.2

*Amounts shown in millions

Funds available for spending in FY 2012 increase as a result of year end balances . . .

- FY 2011 ended with a revenue surplus of \$321.7 million.
- In addition, there was also an unexpended appropriation balance of \$170.5 million.
- As a result of the year-end surpluses and other cash in the Treasury, the State Comptroller reported an unreserved general fund cash balance as of June 30, 2011, of approximately **\$841.1 million**, which replaces the \$265.4 million previously anticipated in Chapter 890.

The year-end balance has commitments and adjustments against it that must be recognized before determining the amounts available for appropriation in FY 2012 . . .

Adjustments Budget Balance

Additions to balance required by Chapter 890, 2011 Acts of Assembly		\$ 229.4
Add:		
FY 2013 Revenue Stabilization Fund Reserve	132.7	
Reclassify interest loss due to monthly VRS payments as revenue	0.8	
		133.5
Subtract:		
Unexpended Capital Outlay	(2.3)	
Central Capital Planning Fund	(2.5)	
Mandatory Operating Reappropriations	(86.4)	
Discretionary Operating Reappropriations	(47.2)	
Natural Disaster Authorizations	(17.3)	
Unemployment Compensation Trust Fund	(5.9)	
Accelerated Sales Tax to Transportation	(26.0)	
Dominion Power Rebate - Feds	(1.4)	
BRAC Supplemental Appropriation	(7.5)	
Sheriffs Supplemental Appropriation	(7.4)	
Nongeneral Fund Balances Reported as Part of the General Fund	(202.6)	
	Subtotal	(406.5)
Revised Adjustments to Balance		\$ (43.6)

*Amounts shown in millions

While changes to transfers reduce resources, new revenues add to the balances available for appropriation . . .

General Fund Revenues and Transfers

		Revised FY 2012
Revenues		
Chapter 890 Base	\$	15,595.6
New Revenues above base from Post-GACRE Forecast		191.8
Tax Policy Adjustments		(60.8)
	Revised Revenue Estimate	\$ 15,726.6
Transfers		
Chapter 890 Base	\$	468.6
Adjustments to Transfers		(47.7)
	Revised Transfer Total	\$ 420.9

*Amounts shown in millions

The “Caboose” Budget

Summary of Proposed Spending Changes

The proposed spending changes in the “Caboose” budget add and subtract to the overall spending for a net decrease of \$157.8 million in FY 2012 . . .

- 32 individual amendments increase spending by a total of \$145.9 million.
- 20 individual amendments decrease spending by a total of \$303.8 million.
- The net change is a decrease in general fund spending in FY 2012 of \$157.8 million from the current appropriation in Chapter 890.

The top 10 spending amendments account for 93.4 percent of the increased spending . . .

Agency	Title	FY 2012	
Department of Transportation	Appropriate Transportation Trust Fund share of general fund balance	\$67,241,000	
Central Appropriations	Provide funding for the Federal Action Contingency Trust Fund	\$30,000,000	
Central Appropriations	Remove \$10 million reduction to higher education	\$10,000,000	
Department of Corrections	Increase funding for inmate medical costs	\$7,350,677	
Department of Social Services	Adjust child welfare funding	\$6,400,000	
Compensation Board	Provide funding to support per diem payments to local and regional jails	\$4,595,767	
Central Appropriations	Provide funding for presidential primary	\$3,000,000	
Department of Rehabilitative Services	Maintain federal funding for Vocational Rehabilitation program	\$2,985,366	
Department of Housing and Community Development	Provide funding for the Fort Monroe Authority	\$2,599,641	
Direct Aid to Public Education	Adjust sales tax revenue for public education	\$2,070,848	
			<u>% of Total</u>
	Total of top 10	\$136,243,299	93.4%
	All Other Spending	\$9,702,247	6.6%
	Total of All Spending Increases	<u>\$145,945,546</u>	

The bottom 10 spending amendments account for 96.8 percent of the decreased spending . . .

Agency	Title	FY 2012	
Department of Accounts Transfer Payments	Remove funding set-aside as reserve for anticipated mandatory deposit to the Revenue Stabilization Fund	(\$114,000,000)	
Department of Medical Assistance Services	Adjust funding for Medicaid utilization and inflation	(\$85,355,352)	
Direct Aid to Public Education	Update Lottery proceeds for public education	(\$32,587,891)	
Comprehensive Services for At-Risk Youth and Families	Adjust appropriation to reflect caseload and utilization changes	(\$24,827,013)	
Treasury Board	Adjust debt service funding	(\$11,019,262)	
Central Appropriations	Reduce funding for impacts of information technology rates changes	(\$8,336,307)	
Department of Medical Assistance Services	Adjust funding for medical assistance services for low-income children utilization and inflation	(\$5,446,396)	
Direct Aid to Public Education	Update Fall Membership and Average Daily Membership enrollment counts	(\$5,017,600)	
Economic Development Incentive Payments	Remove funds for deposit to the Biofuels Production Fund	(\$4,500,000)	
Direct Aid to Public Education	Update costs of incentive and categorical programs	(\$3,089,645)	
			<u>% of Total</u>
	Total of top 10	(\$294,179,466)	96.8%
	All Other Spending	(\$9,615,916)	3.2%
	Total of All Spending Decreases	<u>(\$303,795,382)</u>	

Total resources available for expenditure exceed the revised budget requirements in FY 2012 by \$546.0 million, which becomes a balance available for use in the next biennium . . .

	FY 2012	
Revised Resources		
Prior Year Balance	\$	841.2
Additions to Balance		(43.6)
Revenue Forecast with policy adjustments		15,726.6
Transfers		420.9
Total GF Resources		\$ 16,945.0
 Appropriations		
Chapter 890 Base	\$	16,556.9
Proposed Changes	\$	(157.8)
Total Appropriation Requirements		\$ 16,399.1
 Unappropriated Balance at End of FY 2012		\$ 546.0

*Amounts shown in millions

The 2012-2014
Biennial Budget – HB/SB 30
Overview of Available Resources

Virginia will have nearly \$2.0 billion in additional resources over the base (FY 2012 of Chapter 890) in the next biennium . . .

General Fund Resources

	FY 2013	FY 2014
Base Resources per CH 890		
Prior Year Balance	\$ -	\$ -
Additions to Balance	229.4	229.4
Revenue Forecast	15,595.6	15,595.6
Transfers	468.6	468.6
Total Base Resources	\$16,293.6	\$16,293.6
Proposed Changes		
Add Prior Year Balance	\$ 546.0	\$ -
Adjust Additions to Balance	(225.8)	(225.8)
Revise Revenue Forecast <i>(includes Tax Policy changes)</i>	650.8	1,373.8
Adjust Transfers	(73.2)	(58.1)
Total Change in Resources	\$ 897.8	\$ 1,090.0
Total Proposed Resources		
Prior Year Balance	\$ 546.0	\$ -
Additions to Balance	3.6	3.6
Revenue Forecast	16,246.5	16,969.5
Transfers	395.4	410.5
Total Resources	\$17,191.4	\$17,383.6

*Amounts shown in millions

The 2012-2014
Biennial Budget Summary of
Proposed
Changes in Spending

Governor McDonnell's introduced budget includes \$882.4 million in proposed savings and cost avoidance strategies as well as new spending . . .

- General fund savings focus on reforming spending to cover high priority needs.
- The majority of the savings/cost avoidance strategies limit the growth in general fund program costs.
- Major budget driver areas such as public education and Medicaid were reviewed for targeted reductions.
- Agencies were asked to submit 2, 4, and 6 percent savings plans.
- The plans were to focus on eliminating low priority spending and improve efficiencies.

Targeted savings were limited to specific programs – as a result only seven agencies are impacted . . .

Agency	Biennial Savings
Department of Medical Assistance Services	(\$416,635,439)
Direct Aid to Public Education	(\$363,683,300)
Secretary of Education	(\$7,206,416)
Central Appropriations	(\$4,976,260)
State Council of Higher Education for Virginia	(\$3,645,923)
Department of Health	(\$2,590,566)
Department of Military Affairs	(\$100,000)
Total	<u>(\$798,837,904)</u>

Targeted savings are proposed to support the reprogramming of funds for critical state programs . . .

Agency	Title	Biennial Savings	
Department of Medical Assistance Services	Withhold inflation from hospital rates	(258,601,581)	
Direct Aid to Public Education	Eliminate funding for nonpersonal inflation	(109,045,310)	
Direct Aid to Public Education	Modify federal revenue deduction calculation	(108,060,404)	
Direct Aid to Public Education	Adjust Virginia Preschool Initiative for nonparticipation rate and four-year-old child count	(81,561,146)	
Department of Medical Assistance Services	Maintain nursing facility rates	(65,267,777)	
Direct Aid to Public Education	Remove Cost of Competing Adjustment (COCA) funding for support positions only	(65,016,440)	
Department of Medical Assistance Services	Capture savings from federal bonus payment	(32,904,084)	
Department of Medical Assistance Services	Continue indigent care reductions for teaching hospitals	(29,911,988)	
Department of Medical Assistance Services	Reduce income limits for optional long-term care eligibility group	(18,217,758)	
Secretary of Education	Remove public broadcasting funding	(7,206,416)	
			% of Total
	Total of top 10	(775,792,904)	97.1%
	All Other Targeted Savings	(23,045,000)	2.9%
	Total of All Targeted Savings	<u>(798,837,904)</u>	

In addition to targeted savings for specific areas, agencies were asked to submit 2%, 4%, and 6% reductions plans . . .

Agency	Biennial Savings	
Department of Health	(\$14,453,276)	
Department of Social Services	(\$12,059,191)	
Comprehensive Services for At-Risk Youth and Families	(\$10,802,432)	
Department of Medical Assistance Services	(\$5,192,652)	
Department of Conservation and Recreation	(\$4,293,680)	
Department of Correctional Education	(\$4,067,708)	
Department of Housing and Community Development	(\$3,652,500)	
Department of Education, Central Office Operations	(\$2,900,264)	
Department of Taxation	(\$2,598,808)	
Department of General Services	(\$2,223,550)	
		<u>% of Total</u>
Total of top 10	(\$62,244,061)	74.5%
All Other Agency Plan Savings	<u>(\$21,352,503)</u>	25.5%
Total of All Agency Plan Savings	<u><u>(\$83,596,564)</u></u>	

190 different reduction strategies provide over \$83.6 million in savings that can be reprogrammed to other areas of need or priorities . . .

Agency	Title	Biennial Savings	
Comprehensive Services for At-Risk Youth and Families	Eliminate Expenditure Category Wrap Around Services for Students with Disabilities	(\$10,802,432)	
Department of Social Services	Increase nongeneral fund support of adoption subsidies	(\$5,324,059)	
Department of Social Services	Capture surplus child support enforcement general fund	(\$5,000,000)	
Department of Correctional Education	Capture vacancy savings	(\$4,067,708)	
Department of Housing and Community Development	Reduce funding for the Enterprise Zone Program	(\$3,000,000)	
Department of Medical Assistance Services	Contract savings associated with new Behavioral Health Organization	(\$2,423,386)	
Department of Conservation and Recreation	Reduce financial assistance to Soil and Water Conservation Districts	(\$2,093,680)	
Department of Health	Reduce funding for Virginia Health Care Foundation	(\$2,040,286)	
Department of Health	Restructure local dental services	(\$1,935,888)	
Secretary of Health and Human Resources	Eliminate funding for child advocacy centers	(\$1,692,000)	
			% of Total
	Total of top 10	(\$38,379,439)	45.9%
	All Other Agency Savings Strategies	(\$45,217,125)	54.1%
	Total of All Agency Savings Strategies	<u>(\$83,596,564)</u>	

The spending proposals in the introduced budget focus on six major themes for improving Virginia's financial health and growing its future economy . . .

- Provide adequate funding for core services.
- Increase liquidity to guard against future economic uncertainty and the potential impact of federal spending reductions.
- Improve the financial position of the Virginia Retirement System.
- Increase investments in higher education.
- Improve funding available to transportation.
- Increase investments in job creation and economic development.

These priorities are reflected in where the money goes to serve core functions and improve the Commonwealth's financial condition . . .

	Biennial Totals
Core Services - top program areas	\$ 1,100.9
Medicaid	481.7
Public Education <i>(Includes VRS payments)</i>	404.4
Debt Service	115.5
State Employee Health Insurance	99.2
Financial Condition and Liquidity	\$ 350.5
Revenue Stabilization Fund	299.1
FACT Fund	20.0
Unappropriated Balance	31.4

Payments to the Virginia Retirement System will be the largest in recent history . . .

- The state employee system is currently funded at 70.6% and the public school teacher system is funded at 66.6%.
- The Governor's recommendations fully fund the regular contribution rate assuming an 8.0% rate of return, 2.5% inflation, and 30-year amortization period.
 - *Regular contribution rate for state employees - \$35.6 million*
 - ❑ *Does not include the costs associated with restoring more than \$200 million annually that previously was transferred from agency budgets to the general fund as part of the savings recognized from the deferral of payments to the retirement system; those amounts are included in agency base budgets.*
 - *Regular contribution rate for public school teachers - \$222.2 million.*
- Fully funds the first two installments of the 10-year payback of deferred contributions.
 - *Language in the current appropriation act requires the payments deferred in the current biennium to be repaid over 10 years based upon the VRS Board's assumed long-term rate of return, which is 7.0%. Other assumptions include: 2.5% inflation, and 30-year amortization period.*
 - *Payback of Deferred Contributions for State Employees - \$50.6 million.*
 - *Payback of Deferred Contributions for public school teachers - \$81.5 million.*

Over \$220 million investment in higher education focused on the goals of the Top Jobs legislation . . .

- Restore higher education reversion - \$20.0 million
- Support the goals of the Higher Education Opportunity Act of 2011 (Top Jobs)
 - *Increase base funding for operational costs on tiered basis: \$51.0 million*
 - *Provide for degree incentives: \$40.8 million*
 - *Address enrollment growth: \$32.4 million*
 - *Increase financial aid support: \$12.7 million*
- Support higher education research: \$24.7 million
- Fund specific operating initiatives that support the goals of the Top Jobs legislation – STEM, graduation and retention, and economic development: \$11.7 million
- Provide support for non-credit courses at VCCS: \$4.0 million
- Provide support for other education initiatives that meet the STEM-related goals of the Top Jobs legislation: \$14.9 million
- Increase Tuition Assistance Grant support: \$11.7 million

Increased funding for transportation and new investments in job creation will improve our infrastructure and strengthen our economy . . .

	Biennial Totals
Redirect a portion of general fund sales tax revenue to Transportation	\$ 110,670,000

Categories of Proposed Economic Development Investments

Invest funds to grow research and technology	\$ 12,880,000
Expand tax credits and incentives	10,000,000
Enhance workforce development efforts	6,500,000
Increase tourism development and marketing	3,150,000
Market Virginia agricultural products	793,968
Increase regional, domestic, and international economic development marketing and advertising efforts	1,500,000
Improve launch capabilities on Wallops Island	4,000,000

Total of New Investments for Economic Development	\$ 38,823,968
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The top ten agencies account for nearly 90 percent of the total new spending – the top two agencies are also the top two agencies where reductions were targeted to slow the rate of growth . . .

Agency	Biennial Totals	<u>% of Total</u>
Direct Aid to Public Education	\$982,280,695	
Department of Medical Assistance Services	\$644,323,165	
Department of Accounts Transfer Payments	\$274,352,785	
Central Appropriations	\$205,882,788	
Treasury Board	\$115,509,312	
Economic Development Incentive Payments	\$84,437,868	
Virginia Community College System	\$48,527,281	
Department of Environmental Quality	\$46,153,718	
Department of Corrections	\$40,552,611	
Department of Social Services	\$31,826,691	
	Total of top 10	88.8%
	All Other Spending	11.2%
	<u>Total of All Spending</u>	
	<u>\$2,785,922,052</u>	

Note: Amounts shown are the full increases before savings are applied by separate amendments.

All of the top ten spending increases address core service requirements or the financial requirements of the Commonwealth . . .

Agency	Title	Biennial Totals	
Department of Medical Assistance Services	Fund Medicaid utilization and inflation	\$650,478,818	
Direct Aid to Public Education	Update Costs of the Standards of Quality (SOQ)	\$377,822,297	
Direct Aid to Public Education	Update retirement contribution rates for Standards of Quality related positions	\$302,590,401	
Department of Accounts Transfer Payments	Provide general fund appropriation for mandatory deposits to the Revenue Stabilization Fund	\$299,080,785	
Direct Aid to Public Education	Update costs of incentive programs	\$139,190,247	
Central Appropriations	Provide funding for the state employee health insurance program	\$135,737,067	
Treasury Board	Provide debt service for new and currently authorized projects	\$115,509,312	
Direct Aid to Public Education	Update composite index of local ability-to-pay	\$87,796,719	
Direct Aid to Public Education	Adjust sales tax revenues for public education	\$53,359,192	
Central Appropriations	Provide funding for the payback of deferred state employee retirement contributions	\$50,558,567	
			<u>% of Total</u>
	Total of top 10	\$2,212,123,405	79.4%
	All Other Spending	\$573,798,647	20.6%
	Total of All Spending	<u>\$2,785,922,052</u>	

Note: Amounts shown are the full increases before savings are applied by separate amendments.

The introduced budget combines new revenues, savings, and new spending to yield an unappropriated general fund balance of \$31.4 million ...

	FY 2013	FY 2014	Biennial Totals
Total Proposed Resources			
Prior Year Balance	\$ 546.0	\$ -	\$ 546.0
Additions to Balance	3.6	3.6	7.2
Revenue Forecast	16,246.5	16,969.5	33,215.9
Transfers	395.4	410.5	805.9
Total Resources	\$ 17,191.4	\$ 17,383.6	\$ 34,575.0
Total Proposed Appropriations			
CH 890 Base	\$ 16,548.0	\$ 16,548.0	\$ 33,096.0
New Expenditures			
Base Adjustments	(58.9)	(62.6)	(121.5)
Technical Adjustments	(167.4)	(167.1)	(334.5)
Decision Packages	1,245.7	1,540.3	2,785.9
Targeted Savings	(351.2)	(447.6)	(798.8)
2, 4, 6 % Budget Reductions	(37.8)	(45.8)	(83.6)
Capital Cash	-	-	-
Subtotal of New Spending	\$ 630.4	\$ 817.1	\$ 1,447.5
Total of All Proposed Spending	\$ 17,178.4	\$ 17,365.2	\$ 34,543.6
Balance	\$ 13.0	\$ 18.4	\$ 31.4

*Amounts shown in millions

Summary of budget changes . . .

- Year-end balances and revenue growth provide resources to address growth in mandatory and other required spending without tax increases.
- Savings strategies reprioritize discretionary spending and control growth in costly programs.
- Key spending items include:
 - *Supporting core responsibilities – public education, Medicaid, etc.;*
 - *Improving financial condition and liquidity;*
 - *Investing in retirement system;*
 - *Investing in higher education;*
 - *Increasing support for transportation;*
 - *Supporting economic development and job creation.*
- The unappropriated balance of \$31.4 million is one of the largest in recent history and provides room to address unknown issues in the future.
- The FACT fund reserve of \$50.0 million provides the ability to address the negative impact of potential federal budget actions.

Summary of Proposed Capital

Capital Outlay – 2012 - 2014 Biennium

<p>Fund Maintenance Reserve <i>Addresses deferred maintenance needs that are critical to continued use of buildings, systems, or equipment</i> <i>Combines regular allocation of maintenance reserve funding in each year equal to FY 2012 allocation with funding for specific larger projects for some agencies.</i> <i>Current unfunded need over \$356 million</i> <i>Examples of projects include:</i> <ul style="list-style-type: none"> \$18 million to repair/upgrade dams in the Commonwealth \$10 million life safety projects at Virginia State University \$6 million for fire alarm systems at Virginia Tech </p>	<p>\$200.5 million VCBA/VPBA</p>
<ul style="list-style-type: none"> • Fund equipment for projects previously authorized projects being completed in the 2012 - 2014 biennium or which are needed to maintain existing operational capability. 	<p>\$39.6 million VCBA/VPBA</p>
<p>Fund pre-planning from Central Capital Planning Fund <i>Funds pre-planning for 59 projects at \$250,000 per project</i> <i>Refines project scope and provides better cost estimates for decision makers</i></p>	<p>\$14.8 million NGF Dedicated Revenue</p>
<ul style="list-style-type: none"> • Fund 19 projects at institutions of higher education with revenue bonds 	<p>\$73.9 million 9(C) Bonds \$340.5 million 9(D) Bonds</p>
<ul style="list-style-type: none"> • Higher Education Equipment Trust Fund 	<p>\$112.2 million VCBA</p>

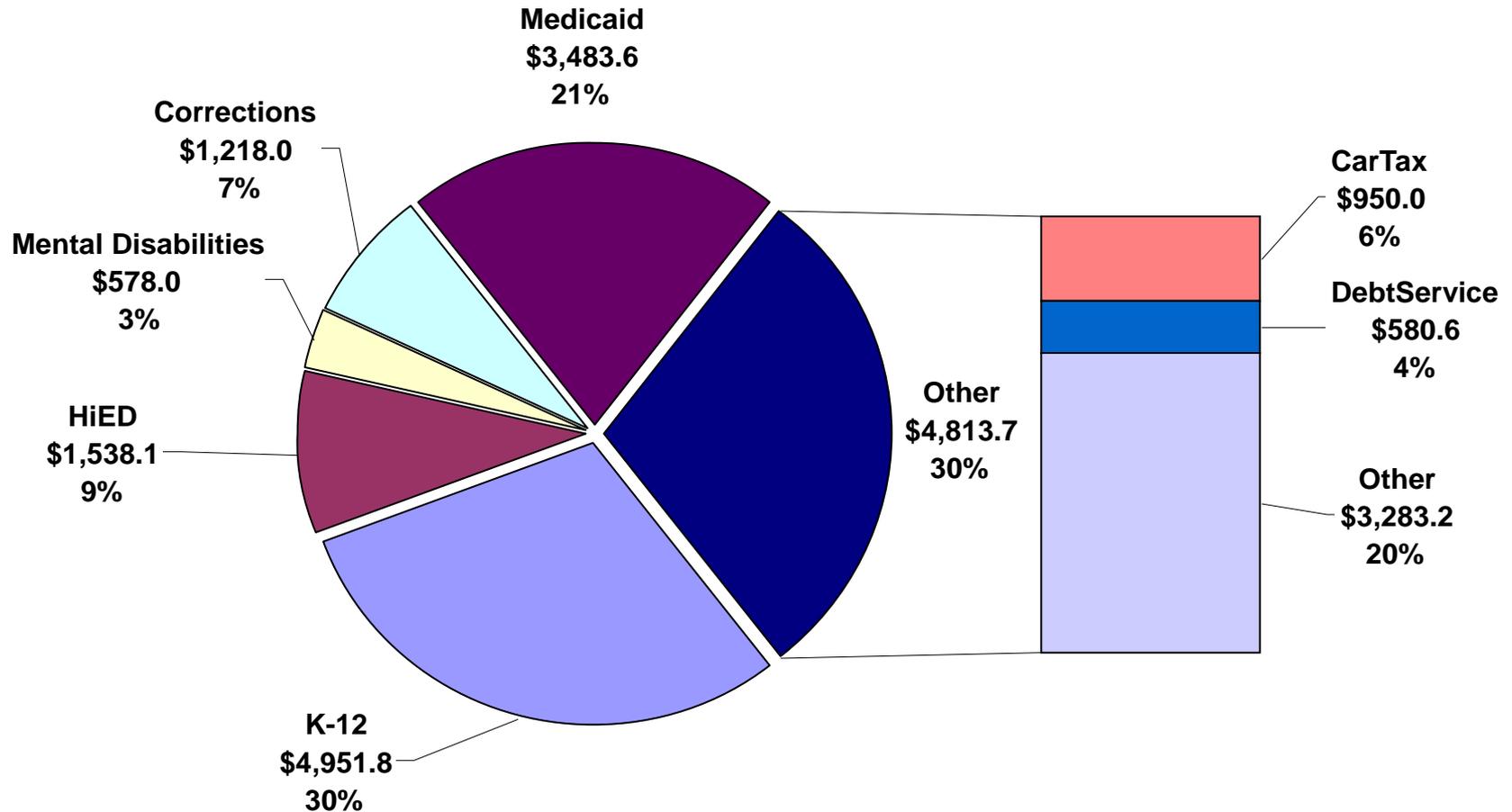
Summary of Major Language Changes

Significant policy changes to language embedded within the budget affect very few areas . . .

- Use of reserve funds – proposes that the FACT fund be provided to address unfunded federal mandates or the negative impacts of any future federal budget actions.
- 3% bonus – a three percent contingent bonus is proposed based on the gainsharing concept that the bonus will be dependent upon state agencies saving sufficient funds to pay for the bonus. Employees must have met expectations in their performance evaluations and have no conduct violations.

Summary of Changes in Budget Drivers

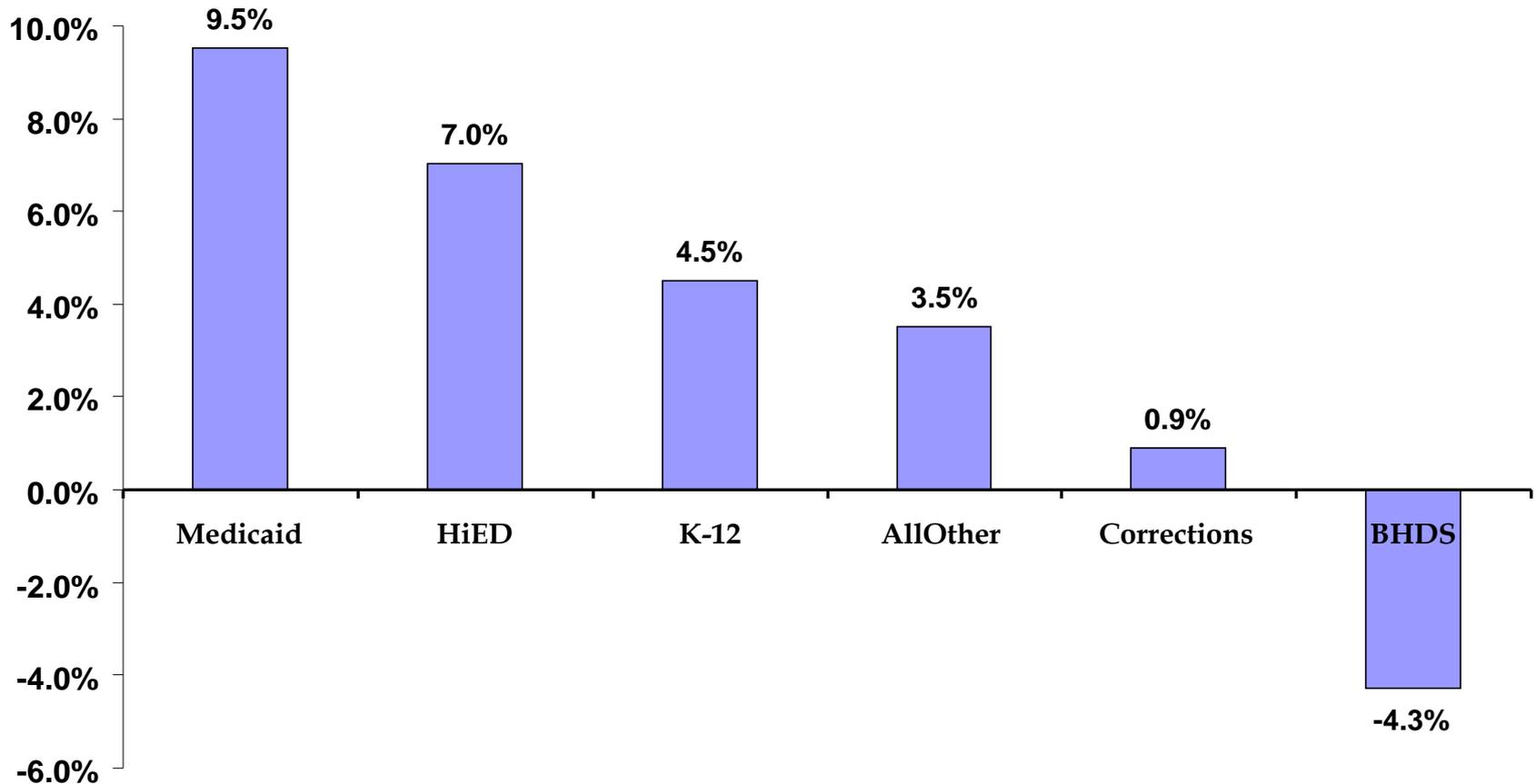
Five budget drivers make up 70 percent of the FY 2012 general fund budget in Chapter 890 . . .



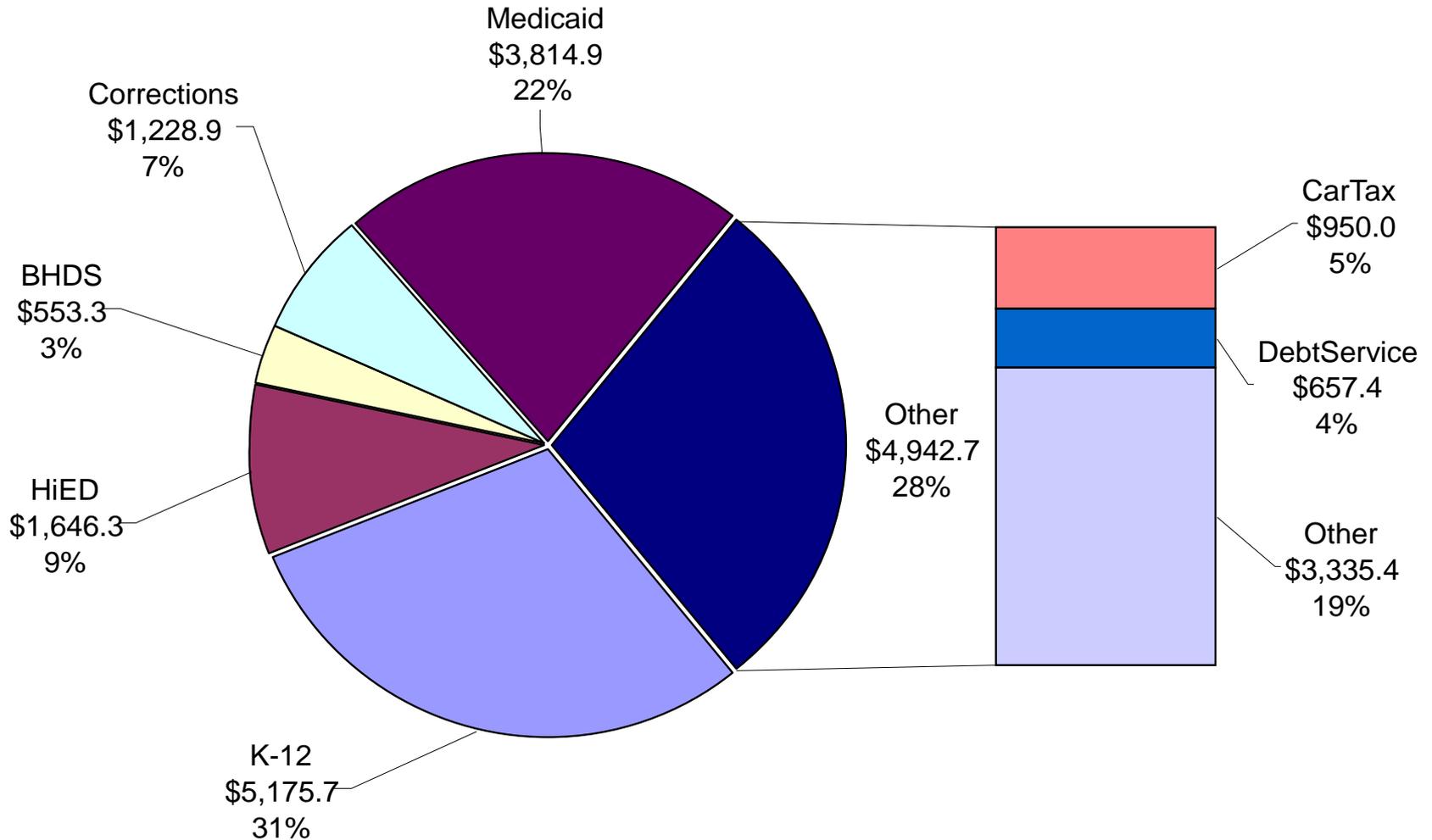
*Amounts shown in millions

For the new biennium, Medicaid continues to be the fastest growing general fund program in state government . . .

Net Spending Change on Budget Drivers between FY 2012 and FY 2014



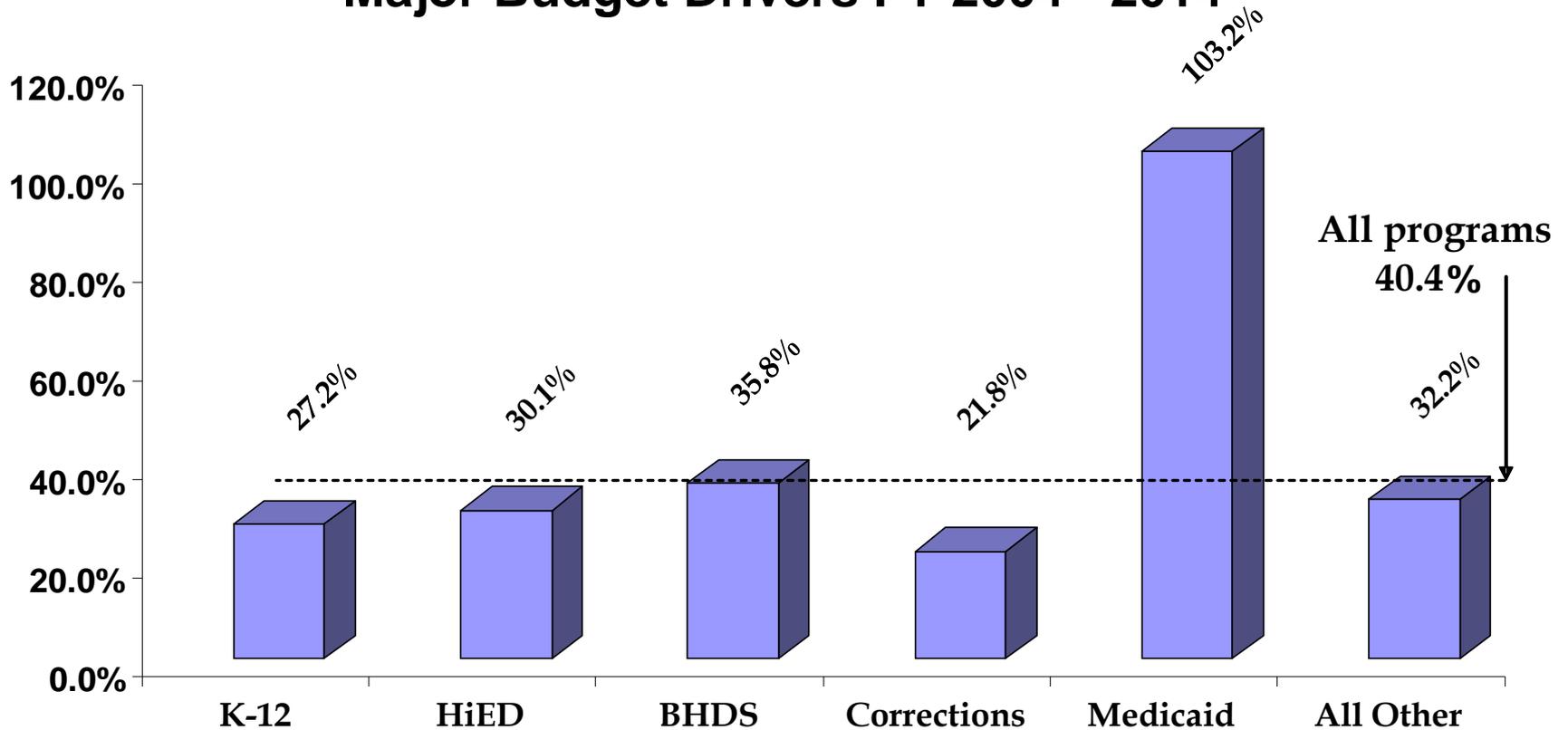
The same budget drivers account for 72 percent of the FY 2014 general fund budget in HB/SB 30 . . .



*Amounts shown in millions

The net change in general fund spending on budget drivers from FY 2004 to FY 2014 ranges from nearly 22 percent to 103 percent ...

Major Budget Drivers FY 2004 - 2014



Summary of Changes by Secretarial Area

Most secretarial areas will experience a net increase in general fund appropriation...

Secretarial Area Total	2013 GF Base	2014 GF Base	2013 Base & Technical Adjustments	2014 Base & Technical Adjustments	2013 Spending	2014 Spending	2013 Savings Plans	2014 Savings Plans	2013 Total	2014 Total
Legislative Department	\$ 69.1	\$ 69.1	\$ 0.3	\$ 0.3	\$ 0.0	\$ 0.0	\$ -	\$ -	\$ 69.4	\$ 69.4
Judicial Department	406.3	406.3	6.8	6.8	4.2	5.5	-	-	417.4	418.7
Statewide Executive Offices	26.5	26.5	0.2	0.2	0.1	0.1	-	-	26.8	26.8
Office of Administration	628.5	628.5	1.8	1.9	13.8	14.4	(2.0)	(2.0)	642.1	642.7
Office of Agriculture and Forestry	43.4	43.4	0.3	0.3	2.2	2.5	(1.0)	(1.3)	45.0	45.0
Office of Commerce and Trade	173.4	173.4	(34.7)	(36.7)	59.8	42.5	(3.4)	(3.6)	195.1	175.7
Office of Education	6,626.4	6,626.4	(95.8)	(95.5)	573.1	617.6	(189.5)	(191.4)	6,914.1	6,957.1
Office of Finance	1,811.4	1,811.4	(113.6)	(113.6)	165.7	233.2	(1.3)	(1.5)	1,862.3	1,929.6
Office of Health & Human Resources	4,915.3	4,915.3	98.7	96.8	233.9	479.7	(183.0)	(283.5)	5,064.9	5,208.3
Office of Natural Resources	91.3	91.3	(2.5)	(2.5)	55.4	2.5	(2.5)	(2.5)	141.5	88.7
Office of Public Safety	1,654.6	1,654.6	9.2	9.2	46.3	18.0	(3.9)	(4.5)	1,706.2	1,677.3
Office of Technology	6.2	6.2	0.0	0.0	2.5	2.8	(0.3)	(0.3)	8.4	8.7
Office of Transportation	69.0	69.0	(28.0)	(28.0)	4.0	-	-	-	45.0	41.0
Central Appropriations	26.7	26.7	(69.0)	(69.0)	84.5	121.4	(2.1)	(2.9)	40.2	76.2
Independent Agencies	-	-	-	-	-	-	-	-	-	-
Grand Total	\$ 16,548.0	\$ 16,548.0	\$ (226.3)	\$ (229.7)	\$ 1,245.7	\$ 1,540.3	\$ (389.0)	\$ (493.4)	\$ 17,178.4	\$ 17,365.2

*Amounts shown in millions

99.6 percent of the new positions included in the introduced budget are in the Education Secretariat . . .

Secretarial Area	FY 2012 FTE (CH 890)	HB 30 Net Position Changes (FY 2014)	HB 30 Proposed Layoffs
Administration	862.5	(4.0)	3.0
Agriculture and Forestry	797.0	(1.0)	5.0
Commerce and Trade	1,657.0	2.0	5.0
Education	54,087.6	2,476.0	2.0
Executive Offices	416.5	31.5	0.0
Finance	1,310.5	(56.5)	8.0
Health and Human Resources	16,563.8	3.5	38.0
Independent Agencies	1,635.1	31.0	0.0
Judicial	3,290.7	46.0	0.0
Legislative	609.0	0.0	0.0
Natural Resources	2,189.0	(15.0)	3.0
Public Safety	21,025.1	(56.0)	9.0
Technology	326.0	(27.0)	0.0
Transportation	9,797.0	1.0	0.0
Veterans Affairs & Homeland Security	0.0	55.0	0.0
Grand Total	114,566.7	2,486.5	73.0

Notes:

Does not include Mecklenberg or any changes associated with agency consolidations.

New Positions Proposed
2,573.50

Positions Eliminated
(87.00)

Net Change
2,486.50

Appendix

Highlights of Detailed Spending Changes

Education

Education

Institutions of higher education – New GF Spending

- Support the goals of the Higher Education Opportunity Act of 2011 (Top Jobs)
 - *Increase base funding for operational costs: \$51.0*
 - For institutions at less than 85 percent of the funding guidelines, funding equal to a two percent increase on the model's scale.
 - For institutions between 85 and 90 percent of guidelines, funding equal to a one percent increase.
 - For institutions at 91 percent or higher, funding equal to a one-half percent increase.
 - *Provide for degree incentives: \$40.8*
 - Funding distributed using a model which rewards institutions for their efforts to graduate students, especially those who are STEM majors, graduate in less time, or are considered part of an underrepresented group.

Education

Institutions of higher education – New GF Spending (cont.)

- *Address enrollment growth: \$32.4*
 - Supports the provisions of the Top Jobs legislation.
 - For four-year institutions, amount provided equals amount awarded under the Tuition Assistance Grant (TAG) Program for private institutions.
 - For two-year institutions, amount provided equals 50 percent of the TAG grant award.
 - Calculations are based on the actual enrollment growth from FY 2010 to FY 2011.

Education

Institutions of higher education – New GF Spending (cont.)

- *Increase financial aid support: \$12.7*
 - Intent is to enhance affordability for both low-income and middle-income students and their families.
 - Low-income would fall below 200 percent and middle-income would fall between 200 to 400 percent of poverty.
 - Distribution based on SCHEV's Partnership Model.
 - Funding distributed proportionately based on each institution's percentage of the shortfall, as calculated between the immediate fiscal year and the following fiscal year.

Education

Institutions of higher education – New GF Spending (cont.)

- Restore higher education reversion: \$20.0
 - *Eliminates \$10.0 million reduction for higher education in FY 2012 that was included in the base for each year of the 2012-2014 biennial budget.*
- Support higher education research: \$24.7
 - *Establishes a cancer research and treatment pool.*
 - *Establishes a competitive research grant for all of Virginia's public higher education institutions.*
 - *Supports research initiatives in specific higher education institutions.*

Education

Institutions of higher education – New GF Spending (cont.)

- Support specific operating initiatives: \$11.7
 - *Provides funding to support the goals of the Top Jobs legislation – STEM, graduation and retention, and economic development.*
- Provide support for non-credit courses at VCCS: \$4.0

Education

Institutions of higher education – GF Reductions

- No reductions for four-year or two-year higher education institutions.
 - *In lieu of reductions, institutions must reallocate the equivalent of three percent (\$34.7 million) in FY 2013 and five percent (\$57.8 million) in FY 2014 of their FY 2012 educational and general fund appropriation to programs and strategies that serve to advance the objectives of the Top Jobs legislation.*
 - *Strategies and documented progress will be reflected in the six-year plans.*

Education

Other higher education related – New GF Spending

- Provide support for other education initiatives that meet the STEM-related goals of the Top Jobs legislation: \$14.9
- Increase Tuition Assistance Grant support: \$11.7
 - *Provides for a \$100 increase in the grant award, moving from \$2,650 to \$2,750.*
 - *Assumes enrollment growth for undergraduate and graduate students.*
 - *Allows no increase in the grant award for graduate students.*

Education

Other education – Reductions

- Remove remaining public broadcasting funding from the Secretary of Education's budget: (\$7.2)
- State Council of Higher Education for Virginia reductions
 - *Eliminates the Eminent Scholars program: (\$3.4)*
 - *Phases-out Virginia Women's Institute for Leadership program at Mary Baldwin College: (\$0.23)*

Education

K-12 Direct Aid for Public Education

- Technical and mandated adjustments
 - *Updates Standards of Quality programs: \$377.8*
 - *Adjusts for sales tax revenue: \$53.4*
 - *Adjusts for Lottery revenue: \$33.6*
 - *Updates to Categorical & Incentive programs: \$142.3*
 - *Updates Composite Index: \$87.8*
 - *Removes one-time spending from base: (\$214.5)*

Education

K-12 Direct Aid: GF Reductions: (\$363.7)

- Eliminates funding for inflation of nonpersonal costs in the Standards of Quality: (\$109.0)
- Adjusts VPI methodology for four-year-old child count and assume a nonparticipation rate of 25.43 percent consistent with FY 2012: (\$81.6)
- Eliminates funding for Cost of Competing Adjustment (COCA) for support positions: (\$65.0)
- Adjusts federal deduct for State Fiscal Stabilization Fund: (\$108.1)

Education

K-12 Public Education Initiatives: \$4.6

- Funds Communities in Schools: \$2.0
- Funds PSAT costs for all 10th grade students: \$1.8
- Expands Plugged In VA to 8 superintendents' regions: \$0.9
- Increases funding for Race to GED: \$0.8
- Funds Teacher Preparation Pilot Initiative: \$0.7
- Increases funding for Virtual Virginia: \$0.7
- Funds Math & Science Teacher Recruitment Pilot: \$0.6
- Redirects Project Discovery funding: (\$1.2)
- Redirects Mentor Teacher in Hard-to-Staff Schools funding: (\$1.7)

Education

K-12 Public Education:

- Fringe Benefits: \$342.4
 - *Funds employer share of VRS retirement costs at 11.66 percent based on 8.00 percent interest rate, 2.50 percent inflation, 30-year amortization period, and 1.43 percent included for FY11 and FY12 deferred contributions payback: \$302.6*
 - *Funds Retiree Health Care Credit rate at 1.11 percent and Group Life rate at 0.48 percent: \$39.8*

Health and Human Resources

Health and Human Resources

New GF Spending

- Department of Medical Assistance Services
 - *Address Medicaid utilization and inflation: \$650.5*
 - GF growth of 11.4 percent in FY 2013 and 8.0 percent in FY 2014.
 - Total funding grows by 23.4 percent in FY 2014 due to Health Care Reform (federal government pays 100 percent of the costs of the new population).
 - Normal provider inflation adjustments are half of the increase.
 - Enrollment growth is 1.7 percent in FY 2013 and 0.9 percent in FY 2014 (with Health Care Reform FY 2014 rate is expected to exceed 40 percent).
 - *Nursing home capital reimbursement increased: \$10.0*

Health and Human Resources

New GF Spending (cont.)

- Department of Medical Assistance Services (cont.)
 - *Adjust Base: \$263.1*
 - Increases base funding for Medicaid to reflect the transfer of FY 2012 base year funding to FY 2011 to maximize enhanced federal funding.
 - *FAMIS and Involuntary Mental Commitment forecasts: \$15.2*
 - Normal hospital inflation is the big cost driver in addition to utilization.
 - *Address Federal mandates: \$6.7*
 - Federal provider screening regulations (required by the Affordable Care Act).
 - Required eligibility review.
 - Required system changes to update code sets.

Health and Human Resources

New GF Spending (cont.)

- Department of Medical Assistance Services (cont.)
 - *Medicaid expansion forecast: (\$21.4)*
 - Health Care Reform eliminates the enhanced federal match for this population, so funding is shifted to Medicaid.
 - *Health Care Fund revenue: (\$4.2)*
 - Revenue increases in Medicaid recoveries and tobacco taxes will offset general fund used as state match.
 - *All other spending: (\$6.4)*

Health and Human Resources

New GF Spending (cont.)

- Department of Behavioral Health and Developmental Services
 - *Expand access to community-based services: \$30.0*
 - Deposits general fund dollars into the Behavioral Health and Developmental Services Trust Fund to continue the state's commitment to expanding community services and reducing census at state training centers.
 - *Implement Electronic Health Records at State Facilities: \$6.3*
 - Provides funding to implement a system of electronic health records in state mental health facilities and training centers.

Health and Human Resources

New GF Spending (cont.)

- Department of Behavioral Health and Developmental Services (cont.)
 - *Fund growth at Virginia Center for Behavioral Rehabilitation: \$6.4*
 - Provides funding to continue operation of the facility and accommodate an increase in census of five individuals per month over the course of the biennium.
 - *Base and other adjustments: (\$60.8)*
 - Removes one-time deposit to the Behavioral Health Trust Fund, one-time funding for the Virginia Center for Rehabilitation and accounts for transfers from central accounts to the agency's central office and state facilities.

Health and Human Resources

New GF Spending (cont.)

- Department of Social Services

- *Mandated child welfare spending: \$16.8*

- Funds the cost of adoption subsidies over the next two fiscal years.
- Increases reflect the impact of moving children from foster care into permanent adoptive homes. Over the past six years, adoptions have increased 21.2 percent compared to a 24 percent decline in foster care caseload over the last five years.

Health and Human Resources

New GF Spending (cont.)

- Department of Social Services (cont.)
 - *Eligibility determination system: \$10.8*
 - Replaces a system that is both difficult for local eligibility workers to use and for programmers to maintain; these are factors that have adversely impacted error rates and operational costs.
 - Critical component of the state's plan to handle the workload associated with federal health care reform.
 - The general fund investment will draw down an estimated \$52.8 million in federal dollars as a result of enhanced federal cost sharing up to 90 percent.
 - *All other spending: \$1.3*

Health and Human Resources

New GF Spending (cont.)

- Virginia Department of Health
 - *Address shortage of medical facility inspectors: \$1.3*
 - Supports an additional 13 full-time positions to investigate complaints regarding the quality of health care.
 - *All other spending: \$5.7*
- Comprehensive Services Act
 - *Reduction in caseload and utilization: (\$22.8)*
 - Program expenditures have declined over the last three years due to changes in practice and reduced caseload.

Health and Human Resources

GF Reductions

- Department of Medical Assistance Services
 - *Withhold provider inflation adjustments: (\$324.7)*
 - Inflation withheld for hospitals, nursing facilities, outpatient rehabilitation agencies and home health providers.
 - *Federal bonus payment: (\$32.9 million)*
 - Bonus payment for improving enrollment in children's health insurance.
 - *Continue Indigent Care reduction: (\$29.9)*
 - Continues the FY 2010 - 2012 reduction for the two state teaching hospitals.
 - *Income eligibility for long-term care: (\$18.2)*
 - Reduces income level from 300 percent to 250 percent of Supplemental Security Income for Medicaid eligibility of long-term care services.

Health and Human Resources

GF Reductions (cont.)

- Department of Medical Assistance Services (cont.)
 - *Expansion of Managed Care: (\$5.5)*
 - Expands managed care to foster care children statewide.
 - *Administrative reductions: (\$5.2)*
 - Reduction of six percent in administrative budget from discretionary contract savings and reducing part-time staff.
 - *Add behavioral health drugs to preferred drug list : (\$3.4)*
 - *Weekly limit on personal care hours: (\$2.0)*
 - Lowers the weekly limit from 56 to 48 hours, with an exception process for people in need of additional hours.

Health and Human Resources

GF Reductions (cont.)

- Department of Social Services

- *Federal funding for adoption subsidies: (\$5.3)*

- The federal Fostering Connections to Success and Increasing Adoptions Act allows Virginia to now claim Title IV-E reimbursement for adoption subsidies that were previously supported with state dollars.
- Ensures eligible adoption subsidies are supported with federal Title IV-E dollars where appropriate.
- Includes support for a position in each of the five regional offices to review adoption cases and to ensure compliance.

- *Child support enforcement revenue: (\$5.0)*

- Reduces general fund in child support enforcement because of projected increases in collections associated with public assistance cases.

- *All other reductions: (\$1.7)*

Health and Human Resources

GF Reductions (cont.)

- Comprehensive Services Act
 - *Eliminate wrap-around services in public schools: (\$10.8)*
 - Category of services extended by policy and not mandated by code is removed from the list of mandated services.
 - A total of \$700,000 is added to the non-mandated pool to partially offset the elimination of this expenditure category and encourage prevention services.

- Virginia Department of Health
 - *Reduce funding for charitable organizations: (\$7.5)*
 - Reduces funding by two percent in FY 2013 and 50 percent in FY 2014.

 - *Close state supported dental clinics: (\$1.9)*
 - Expands the pilot project involving remote supervision of dental hygienists.
 - Changes the service delivery model to focus on dental sealants.

Health and Human Resources

GF Reductions (cont.)

- Virginia Department of Health (cont.)
 - *Adjust fee for Community Waterworks: (\$1.7)*
 - Increases the maximum per connection fee from \$2.05 to \$3.00 to all community waterworks.
 - New revenue covers 11 percent of the total program cost.
 - *Reduce funding for the Water Supply Assistance Grant Program: (\$1.4)*
 - Match requirement was reduced due to EPA federal grant reduction
 - Obligated drinking water projects are not impacted.
 - *All other reductions: (\$4.5)*

Public Safety

Public Safety

New GF Spending

- Prisoner re-entry
 - *Pilot work release program: \$3.0*
 - *Expand VASAVOR: \$0.7*
 - Intensive probation program for serious and violent offenders; new program will be placed in Richmond.
 - *Increase probation officers for sex offenders: \$1.5*
- Inmate medical costs
 - *FY 2012 (HB/SB 29): \$7.3*
 - *2012-2014 biennium: \$14.7*

Public Safety

New GF Spending (cont.)

- Sanctions with Unified Rapid Enforcement: \$1.8
 - *SURE—proposed pilot sentencing program.*
 - *Funds provided for additional probation officers and drug testing.*
- Replacement of out-of-state inmate revenue: \$1.5
- State Police
 - *Sex Offender Investigative Unit: \$4.1*
 - Establishes 43 surveillance officer positions.
 - Allows for the re-deployment of troopers.
 - *Reduce trooper vacancies: \$6.0*
 - Funds 40 vacant trooper positions.

Public Safety

New GF Spending (cont.)

- Community Corrections: \$1.1
 - *Provides funding to expand Comprehensive Community Corrections and Pretrial Services programs associated with two proposed regional jail expansion projects (Central Virginia and Southwest).*
- Forensic Science: \$0.9
 - *Provides funding to increase capacity for controlled substances casework and for capital lease payments.*

Public Safety

GF Reductions

- State Police
 - *Capture operational efficiencies savings: (\$0.8)*
- Department of Criminal Justice Services
 - *Reduce Community Corrections grants: (\$1.4)*
 - Reduces funding pool used to make community corrections grants to localities.
- Correctional Education
 - *Turnover and vacancy savings: (\$4.1)*

Public Safety

GF Reductions (cont.)

- Juvenile Justice

- *FY 2012 (HB/SB 29):* (\$3.0)

- Revert projected year-end surplus.

Natural Resources

Natural Resources

New GF Spending

- Water Quality Improvement Fund

- *A deposit of \$50.3 million to the fund is required from FY 2011 year-end surpluses.*
 - Department of Conservation and Recreation: \$5.0
 - 10 percent designated for deposit for nonpoint source clean-up.
 - Department of Environmental Quality: \$45.3
 - 90 percent designated for deposit for point source clean-up.

Natural Resources

GF Reductions

- Department of Conservation and Recreation
 - *Eliminate 13 vacant positions: (\$1.3)*
 - Positions have been vacant for several years.
 - *Reset assistance to Soil and Water Conservation Districts: (\$2.1)*
 - Resets financial assistance to Soil and Water Conservation Districts based on a change in the agency's determination of funding amounts provided.

Natural Resources

GF Reductions (cont.)

- Marine Resources Commission
 - *Eliminate support for Saltwater Fishing Tournament: (\$0.4)*
 - Redirect funds to support the agency's Marine Life Management program.

Commerce and Trade

Commerce and Trade

New GF Spending

- Economic Development

- *Continue “Opportunity for Work”*: \$40.0

- Implement life sciences initiative: \$10.0

- Provides funding for a research consortium that will contract with private entities, foundations, and other governmental sources to capture and perform research in the biosciences.

- Non-credit courses at community colleges: \$4.0

- Other “Opportunity for Work” initiatives: \$26.0

- *Continue Commitments*: \$62.0

- Provides funding for current commitments of grant programs.

Commerce and Trade

New GF Spending (cont.)

- Department of Housing and Community Development
 - *Funding for Fort Monroe Authority: \$4.3*
 - Provides additional operating funds for the Fort Monroe Authority which is responsible for oversight of the preservation, conservation, protection, and maintenance of the Commonwealth's real property interests at Fort Monroe.
 - *Creation of permanent supportive housing: \$1.0*
 - Provides funding to help develop new permanent supportive housing for chronically homeless persons across the Commonwealth.
 - Funds will be leveraged with private, federal, and/or local funds to construct housing.

Commerce and Trade

GF Reductions

- Virginia Employment Commission
 - *Establish an administrative surcharge to support interest payments owed on federal loans: (\$4.1)*
 - Establishes a one-time administrative surcharge of approximately \$1.36 per employee applied to calendar year 2013 employer tax charges.
 - This revenue will replace half of the \$8.3 million interest payment owed on federal loans for unemployment insurance benefits due September 30, 2012.

Commerce and Trade

GF Reductions (cont.)

- Department of Labor and Industry
 - *Eliminate Virginia Labor and Employment Law Division: (\$0.5)*
 - Eliminates the Virginia Labor and Employment Law Division, resulting in five lay-offs. Assistance with wage and employment issues may be provided by the U.S. Department of Labor.
- Department of Business Assistance
 - *Elimination of the agency's media program: (\$0.17)*
 - Eliminates funding and a position associated with the agency's filming function.

Agriculture and Forestry

Agriculture and Forestry

New GF Spending

- Department of Agriculture and Consumer Services
 - *Establish Governor's Agriculture and Forestry Industries Development Fund: \$2.0*
 - Intended to support and help localities attract new and expanding agriculture and forestry facilities using Virginia grown products. New legislation will be introduced at the 2012 session.
 - *Expansion of international marketing opportunities for Virginia agricultural products: \$0.7*

Agriculture and Forestry

New GF Spending (cont.)

- Department of Forestry

- *Mobile information technology environment: \$0.4*

- Provides authority for the department to sell three buildings and to use the proceeds of the sales to replace the computers assigned to field staff with laptops and to provide field staff with wireless smart phones. Implementation of new technology is anticipated to increase efficiency and ultimately reduce costs over the long-term.

Agriculture and Forestry

GF Reductions

- Department of Agriculture and Consumer Services
 - *Food inspection fee increase to fund testing: (\$0.4)*
 - Increases the annual inspection fee paid by each business that processes, manufactures, stores, or sells food by \$20 for a total of \$60 per fee. The additional revenue will supplant general fund support for food safety and security testing.
 - *Partially close Ivor Regional Animal Health Laboratory: (\$0.3)*
 - Eliminates necropsy services, bacteriology testing, and two positions at the laboratory. The partial closure will still allow for testing in dairy microbiology, serology, and parasitology.

Agriculture and Forestry

GF Reductions (cont.)

- Department of Forestry
 - *Discontinue annual forestry calendar: (\$0.04)*
 - Eliminates the use of general fund dollars to produce the annual calendar.

Technology

Technology

New GF Spending

- *Innovation and Entrepreneurship Investment Authority (IEIA)* economic development opportunities
 - *Modeling and simulation: \$1.3*
 - Provides funding to foster growth and diversification by leveraging resources from a variety of existing sources to support modeling and simulation research and outreach activities.
 - *Cyber security: \$1.0*
 - Provides funding for the Commonwealth's cyber security marketing efforts to help ensure that the Commonwealth remains the leader in this area. The Commonwealth's government assets, pro-business environment, and current and future workforce, place Virginia at the forefront of the cyber security industry.

Technology

GF Reductions

- Implement savings strategies
 - *Innovation and Entrepreneurship Investment Authority: (\$0.3)*
 - Defers enhancement to the agency's web-based submission tool used in support of the Commonwealth's Technology Research Fund.
 - *Virginia Information Technologies Agency: (\$0.2)*
 - Reduces budgets for development and management tools, fills vacancies at a lower salaries, eliminates a vacant position, and reduces technology costs.

Finance

Finance

New GF Spending

- Mandatory Payments

- *Revenue Stabilization Fund,*

Department of Accounts: \$299.2

- Designates mandatory deposits to the Revenue Stabilization Fund (“Rainy Day Fund”) across the biennium.

- *Debt service, Department of the Treasury: \$115.5*

- Increases funding for debt service on bonds to be issued by the Virginia Public Building Authority and the Virginia College Building Authority for existing and new capital projects, and higher education equipment authorized for bond financing.

Finance

GF Reductions

- Financial changes and improvements
 - *Charge card rebate: (\$3.5)*
 - Increases the annual transfer to the general fund of revenue received as a credit card rebate from the Department of Accounts. This revenue is in lieu of a reduction and the increase is expected as a result of a new payment processing service, E-payables, recently implemented by the department.
 - *Elimination of services and forms: (\$0.57)*
 - Eliminates the requirement of the Department of Taxation (TAX) to print and mail various tax forms. The forms will be available on the department's Web site.

Finance

GF Reductions (cont.)

- Financial changes and improvements (cont.)
 - *Mandatory electronic filing for dealers: (\$0.18)*
 - Mandates sales tax dealers file electronically with TAX. Sales tax dealers will be able to file electronically for free on the department's Web site.
 - *Reduce number of income tax refund checks issued: (\$0.4)*
 - Eliminates the taxpayer option of receiving an individual income tax refund in the form of a check, except under special circumstances. This reduction will decrease both check stock and postage at the Department of the Treasury and will create an expenditure impact for TAX due to increased calls to the call center. Complete implementation will provide future savings for the Commonwealth.

Administration

Administration

New GF Spending

- Compensation Board

- *Restore sheriff's funding: \$14.7*

- Fully restores general fund dollars that were supplanted with the proposed public safety fee. The fee was subsequently rejected. This proposal permanently restores the supplanted general fund dollars.

- *Provide funding and positions for Meherrin River Regional Jail construction project: \$8.1*

- Provides state support to open the new jail in July 2012.

- Department of General Services

- *Continue current laboratory services: \$3.2*

- Replaces lost federal funds that support labs across the Commonwealth in order to continue critical health and safety functions.

Administration

GF Reductions

- Department of General Services
 - *Shift Division of Engineering and Buildings expenses: (\$0.8)*
 - Converts funding of division positions from general fund to internal service funds.
 - *Consolidate laboratory functions: (\$0.4)*
 - Consolidates two divisions resulting in the elimination of the positions of a manager and scientist.
 - *Shift Division of Procurement Services expenses: (\$0.3)*
 - Reallocates general fund expenses to nongeneral fund sources.

Administration

GF Reductions (cont.)

- State Board of Elections

- *Reimburse all localities' electoral boards at a single rate: (\$0.3)*

- Establishes a single state compensation rate for local electoral board officers based on the population of the county or city. The additional supplement based on the number of towns has been removed.

Central Appropriations

Central Appropriations

New GF Spending

- Retirement
 - *Regular contribution rate for state employees: \$35.6*
 - Fully funds the regular contribution rate assuming an 8.0 percent rate of return, 2.5 percent inflation, and 30-year amortization.
 - Does not include the costs associated with restoring over \$200 million annually that was transferred from agency budgets to the general fund in FY 2012 as part of the savings recognized from the deferral of payments to the retirement system; those amounts are included in agency base budgets.
 - *Payback of Deferred Contributions for State Employees: \$50.6*
 - Fully funds the first two installments of the 10-year payback of deferred contributions.
 - Payback assumes 7.0 percent interest rate.

Central Appropriations

New GF Spending (cont.)

- Health Insurance

- *Recognizes the end of the HIF subsidy that has artificially kept employer and employee premiums lower than they would have otherwise been: \$128.0*
- *Increase for normal utilization and inflation: \$7.8*
 - 0.9 percent increase.
- *Additional funding for University of Virginia health plan: \$1.1*

Central Appropriations

GF Savings

Health Insurance (Con't)

- Plan changes: (\$8.3)
 - Requires the use of outpatient settings (office or ambulatory surgical centers) for selected surgeries, eliminates co-payments for diabetes medications and supplies, and establishes a retail maintenance network for maintenance drugs (with penalties for nonuse).
- *Capture federal Early Retirement Reinsurance Program funds: (\$9.1)*
 - Offsets the increase in health insurance premiums in FY 2013.
- *Reduce reserve for health benefit claims Incurred But Not Reported (IBNR): (\$19.1)*
 - Offsets the increase in health insurance premiums.

Central Appropriations

Other GF Spending

- Address increased information technology costs
 - *Replace outdated telephone systems: \$6.8*
 - Provides funding to replace telephone systems deemed to be mission critical. VITA is required to analyze and assess ways to minimize the ongoing costs of any of the systems funded.
- Performance Budgeting System: \$2.8
 - Funds the general fund share of the on-going operating costs of the Commonwealth's performance budgeting system, an enterprise application.

Central Appropriations

Other GF Spending (cont.)

- Federal Action Contingency Trust (FACT) Fund
 - *FY 2014 funding: \$20.0*
 - This reserve fund will be available to address a variety of potential negative impacts from actions at the national level to deal with the federal debt and deficit and will provide added flexibility to deal with those situations for which the Revenue Stabilization Fund and other existing resources are either unavailable or inadequate. These funds will be added to \$30.0 million recommended in HB/SB 29 for a total of fund balance of \$50.0 million.

Central Appropriations

Other GF Spending (cont.)

- Other adjustments

- *Support Line of Duty Act: \$3.4*

- Funding to cover cost increases associated with state agency Line of Duty Act-eligible personnel as well as costs associated with periods of state service provided by National Guard employees.

- *Reduce reversion clearing accounts: \$45.0*

- Reduces the reversion clearing account for aid to locality savings: \$25.0
- Eliminates the reversion clearing account for across-the-board reductions to higher education institutions: \$20.0

Central Appropriations

GF Reductions

- Information technology actions
 - *Capture information technology overhead savings from efficiency actions by the Virginia Information Technologies Agency: (\$0.8)*
 - Captures the general fund portion of savings strategies involving reductions in budgets for development and management tools, filling vacancies at lower salaries than incumbents, eliminating a position, and reducing IT services spending as identified in a statewide IT assessment.
 - *Reduce funding for increased IT service charges: (\$9.1)*
 - Reduces funding for information technology and telecommunication rate changes based on updated projections using more current billing data. As a result of continuing increases in technology and telecommunication, agencies were required to perform an information technology assessment to identify areas to reduce costs. Savings reflect changes in utilization, services, and products.

Central Appropriations

GF Reductions (cont.)

- Information technology actions (cont.)
 - *Billing credits associated with computer outage: (\$0.1)*
 - Captures savings from an agreement with Northrop Grumman, Inc. related to a computer services outage in August 2010. The savings are earned from billing credits issued in monthly installments to the agencies directly impacted by the outage.

- Other savings
 - *Eliminate or consolidate agencies, boards, and commissions: (\$3.4)*
 - *Eliminate organizational memberships: (\$0.8)*
 - *Capture savings from statewide purchase and supply system: (\$0.2)*

Central Appropriations

Other Provisions

- Provide state employee bonus
 - *Includes provisions for a contingent bonus of up to three percent for all full-time state employees on December 1, 2012.*
 - *For the bonus to be paid, statewide discretionary unspent general fund appropriations on June 30, 2012, must meet or exceed twice the general fund cost of the bonus.*
 - *Each agency will be responsible for funding the bonus from its unspent discretionary appropriations.*

Judicial

Judicial

New GF Spending

- Supreme Court

- *Restore funding for judgeships: \$2.0*

- Provides funding to restore up to five previously authorized judgeships, if approved by General Assembly.

- District Court

- *Add new district court clerks: \$1.6*

- Funding for up to 23 district court clerk positions to address the most critical staffing needs.

Judicial

New GF Spending (cont.)

- Address mandatory judicial obligations
 - *Increase Criminal Fund: \$4.0*
 - Provides funding to cover increases in Criminal Fund expenditures.
 - *Increase Involuntary Mental Commitment: \$0.3*
 - Provides funding to cover increases in cost of commitment hearings.

Transportation

Transportation

New NGF Spending

- Department of Transportation
 - *Provide additional highway maintenance funding: \$111.0*
 - Provides appropriation for the Highway Maintenance and Operating Fund from existing sales tax revenue, as contained in proposed transportation legislation.

Veterans Affairs and Homeland Security

Veterans Affairs and Homeland Security

New GF Spending

- Veterans Services

- *Provides funding and positions to enhance services to veterans: \$0.9*
 - Supports implementation of a Homeless Veterans initiative.
 - Initiates a program to move Virginia veterans from Medicaid to Veterans Administration benefits.
 - Adds new benefit claims agents to increase the number of claims filed.