

Proposed Amendments to the 2012-2014 Biennial Budget: House Bill 1500

House Appropriations Committee Staff
January 9, 2013

RESOURCES AND OVERVIEW

Resource Adjustments in HB 1500

- HB 1500 assumes net additional general fund resources of \$219.6 million compared to Chapter 3 after adjustments to transfers, balances and proposed tax policy changes
- The additional resources are a combination of increased carry-forward amounts (FY 2012 surplus), increased transfers, reductions in adjustments to balances, the annual revenue reforecast and tax policy adjustments
- When combined with the \$6.3 million unappropriated balance contained in Chapter 3, there are \$225.9 million in additional resources

Additional General Fund Resources Available for Appropriation (\$ in millions)			
	<u>Chapter 3</u>	<u>HB 1500</u>	<u>Difference</u>
Unrestricted Balance (June 30, 2012)	\$675.5	\$976.0	\$300.5
Balance Adjustments	7.0	(191.4)	<u>(198.4)</u>
Net Balance Addition			\$102.1
Revenue Estimate*	\$33,354.9	\$33,453.5	\$ 98.7
FY 2013-14 Transfers	811.9	830.7	<u>18.8</u>
Additional GF Resources			\$219.6
Unappropriated Balance (Ch. 3)			\$ 6.3
HB 1500 Resources			\$225.9

* Assumes proposed policy changes adopted (see page 7)

Balance Adjustments in HB 1500

- Chapter 3 assumed \$682.5 million in balances over the biennium which is increased by \$102.1 million in HB 1500
- From this amount, the following set-asides have been made:
 - \$78.2 million to supplement the mandatory FY 2014 Rainy Day Fund payment
 - \$16.9 million for appropriation to the Water Quality Improvement Fund based on the FY 2012 revenue surplus and unobligated balances
- As a result of the mandatory set-asides from the unanticipated revenues and agency balances, only \$6.9 million is available for appropriation

Revised Revenue Forecast

- Gross adjustments to the revenue forecast as a result of the fall review process totaled \$185.9 million
- These revisions result from the ripple effect of collections above the estimate in FY 2012, offset by a slight reduction in the economic growth rates assumed in Chapter 3
- HB 1500 assumes economic growth of 3.6% in FY 2013 and 4.2% in FY 2014
 - This compares to the rates of 3.7% for FY 2013 and 4.5% in FY 2014 assumed in Chapter 3
- When proposed tax policy and technical adjustments are included, the projected growth rates are 3.6% in FY 2013 and 3.8% in FY 2014

Changes in GF Tax Forecast by Source

(\$ in millions)

	Estimated FY 2013	Estimated % Growth	Estimated FY 2014	Estimated % Growth
Source:				
Net Individual	\$181.1	4.5%	\$156.1	4.7%
Corporate	(65.1)	(4.5%)	(67.4)	2.3%
Sales	40.9	4.1%	(28.0)	1.7%
Insurance	(38.0)	1.1%	(33.8)	7.1%
Recordation	13.6	4.5%	13.6	0.0%
All Other	<u>(29.1)</u>	<u>(2.2%)</u>	<u>(45.1)</u>	<u>1.6 %</u>
Total Revenues	\$103.4	3.6%	(\$4.6)	3.8%

Policy Adjustments Impacting Revenues

- HB 1500 contains 5 adjustments that reduce the revenue forecast by \$87.1 million, as follows:
 - Reduction of \$48.1 million in FY 2014 by increasing the share of sales tax dedicated to transportation from 0.50% to 0.55%
 - Loss of \$20.8 million by the raising the accelerated sales tax threshold to \$48.5 million in annual sales in June 2014
 - Revenue reduction of \$7.0 million in FY 2013 by advancing federal tax conformity to December 31, 2012, extending enhanced treatment for the Earned Income Tax Credit
 - Loss of \$10.0 million in FY 2014 by lowering the assumed proceeds to the GF from the sale of the Brunswick correctional facility
 - Reduction of \$3.8 million by beginning a proposed three-year phase-out of the retention of NGF interest earnings in the general fund

General Fund Resource Changes Since 2012 Session

(\$ in millions)

		2012-2014
Total Net Balance Adjustments		\$102.1
Revenue Adjustments		
	December Reforecast	\$185.9
	Increase Sales Tax Dedicated to TTF	(48.1)
	Raise Cap on AST to \$48.5 m. annual sales	(20.8)
	Reduce estimated proceeds from sale of Brunswick	(10.0)
	Extend enhanced EITC to Tax Year 2012	(7.0)
	Begin Phase-Out of Retained NGF Interest Earnings	(3.8)
	DOA Small Purchase Charge Card Rebate	3.0
	Miscellaneous	(0.5)
	Total Revenue Adjustments	\$98.7
Transfer Adjustments		
	ABC Profits – Sunday Sales	\$17.5
	Sales Tax Reforecast – SOQ Fund and Transfer to Game Protection	(9.3)
	Increased Proceeds Sale of ABC Alexandria Office	1.5
	Court Debt Collection	1.1
	SCC and Other NGF Balances	8.6
	Total Transfer Adjustments	\$18.8

OVERVIEW: SAVINGS AND SPENDING IN HB 30

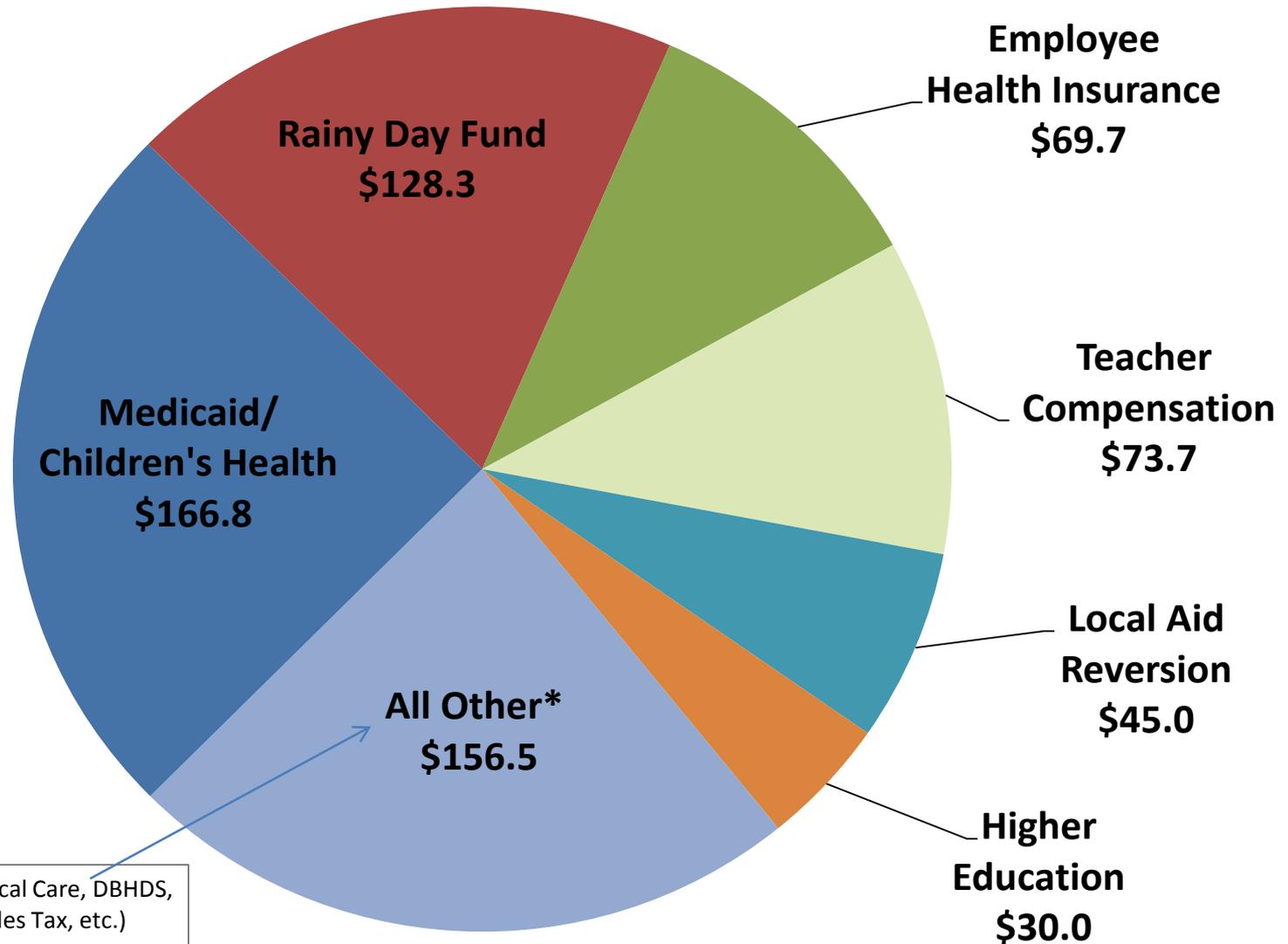
Overview: Appropriations in HB 1500

- The Governor's proposed amendments include net new spending of \$207.4 million GF compared to Chapter 3
- Proposed spending increases total \$670.0 million
- Spending increases are offset by \$462.6 million GF in budgetary savings
- As a result, net new spending proposed in HB 1500 leaves an assumed unappropriated balance of \$10.9 million over the biennium

Spending Proposals in HB 1500

- Proposed spending amendments total about \$670 million
- The proposals focus on addressing structural balance issues and closing second year “holes” in the budget
- The majority of the Governor’s budgetary actions center on 6 areas:
 - Medicaid utilization and inflation;
 - Revenue Stabilization Fund Deposits;
 - Increased premiums for state employee health insurance;
 - State share of a 2% salary increase for K-12 instructional positions effective July 1, 2013;
 - Additional funding for higher education; and
 - Eliminating the local aid reversion account

6 Items Make-Up More Than 75% of Spending



(e.g. WQIF, Inmate Medical Care, DBHDS, River North, K12 Sales Tax, etc.)

HB 1500 Proposed Spending

Major Spending Proposed	(\$ in millions)
Medicaid & Children's Health Care Utilization and Inflation	\$166.8
Complete Funding for Mandatory FY 2014 Rainy Day Fund Deposit	78.3
Additional Funding for State Employee Health Insurance	69.7
Incentive Funding for 2% Teacher Salary Increase	58.7
Advance Deposit for FY 2015 Rainy Day Fund Requirement	50.0
Eliminate Local Aid Reversion Account	45.0
Higher Ed Top Jobs Initiative and other Higher Education-related	30.0
Water Quality Improvement Fund	16.9
Inmate Medical Costs	15.5
Behavioral Health and Development Services	15.1
Strategic Compensation for Teachers	15.0
Open River North Correctional Center (Grayson)	14.3
Reforecast of Sales Tax to K-12 and School-Aged Population	9.7
Additional Jail Per Diems	6.3
BRAC-Oceana	6.2
Fort Monroe	5.1
All Other Spending (e.g. technology/phones, forecast updates)	67.4
Total Spending:	\$670.0

Savings Actions in HB 1500

- The proposed savings amendments to the budget total more than \$462.6 million over the biennium, the majority of which reflect technical updates and forecast changes
- 78% of all budgetary savings stem from the following actions:
 - \$202.5 million GF in Medicaid reductions, offset by additional Health Care Fund resources
 - \$72.7 million GF in K-12 savings based on Lottery updates for program participation and prior year balances, and technical SOQ, Incentive and Categorical program updates
 - \$41.6 million GF in savings from lower caseloads in CSA
 - \$30.0 million GF from lower debt service payments
 - \$12.2 million from eliminating the Cost of Competing Adjustment for support positions in FY 2014
- Savings identified from the agency 4% plans total \$58.8 million in FY 2014

HB 1500 Proposed Savings

Major Budgetary Savings	(\$ in millions)
Adjust Funding for Health Care Fund	\$ (202.5)
Update Lottery Accounts for Participation/Prior Year Balance	(51.4)
Reduce CSA Based on Caseload and Spending Forecast Changes	(41.6)
Capture Treasury Board Debt Service Savings	(30.0)
Maintain Disproportionate Share Payments at FY 2013 Level	(21.7)
Update SOQ, Incentive & Categorical Costs - Technical	(21.3)
Eliminate FY 2014 Cost of Competing for Support Positions	(12.2)
Supplant GF with TANF Funds at DSS	(10.0)
Reduce CSA Waste, Fraud and Abuse	(9.9)
Increase Use of Literary Fund for Teacher Retirement	(9.0)
Department of Juvenile Justice Facility Closure/Repurposing	(7.0)
Reduce Central Appropriations Funding for Phone Systems/IT Costs	(5.4)
Establish Retail Maintenance Network for Maintenance Drugs	(4.9)
All Other Savings	(35.7)
Total Savings:	\$ (462.6)

Summary of Budget Proposals by Secretarial Area

HEALTH & HUMAN RESOURCES

Summary of HHR Proposed Spending and Savings Actions

- HHR spending amendments focus on:
 - Mandatory spending: \$168.4 million GF
 - Other spending: \$40.0 million GF

- HHR savings amendments focus on:
 - Forecast and technical adjustments: \$210.4 million GF
 - Other targeted adjustments: \$96.9 million GF
 - Supplants: \$11.5 million

HHR Proposed Spending of \$208.4 Million

(GF \$ in millions)

Agency/Item	FY 2013	FY 2014
Department of Health		
Fund Portion of Local Share of State Employee Bonus	\$0.4	-
Algae bloom monitoring and response activities	\$0.2	-
Department of Medical Assistance Services		
Medicaid Utilization and Inflation Forecast	\$46.2	\$68.4
Restore SCHIP as Stand Alone Appropriation and Update Utilization and Inflation Forecast	(\$0.2)	\$20.9
FAMIS Utilization and Inflation Forecast	\$5.1	\$15.1
Correct Forecast Error for Teaching Hospital Payments		\$11.3
Medicaid Reimbursement for Inmate Inpatient Costs	-	\$1.4
Decrease Occupancy Limits for Nursing Home Indirect and Capital Cost Reimbursement	-	\$0.9
Fund Implementation Costs of Dual Eligible Demonstration Program	-	\$0.7

HHR Proposed Spending of \$208.4 Million

(GF \$ in millions)

Agency/Item	FY 2013	FY 2014
Department of Behavioral Health & Developmental Services		
Part C Early Intervention Services for Infants & Toddlers	\$3.0	\$3.0
Expand Adult Crisis Services for ID/DD Individuals	-	\$3.8
Create Crisis Services for Children with ID/DD	-	\$1.3
Increase Staff to Improve Financial Management & Oversight	\$0.2	\$0.9
Expand Children's Mental Health Crisis Services	-	\$1.0
Expand Discharge Assistance Program for Mental Health Svcs.	-	\$0.8
Restore Funding for NVMHI Inpatient Beds	-	\$0.7
Provide Additional Funds for Electronic Health Records Implementation	-	\$0.4
Department of Social Services		
Create Pilot Program to Increase Adoptions	-	\$2.0
Restore Funds for Va. Early Childhood Foundation for Kindergarten Readiness Assessment Tool	-	\$0.8
Add 8 Positions for Eligibility System Modernization Project	-	\$0.5
Provide Funds for Local Retiree Health insurance Credit	\$0.2	\$0.2
Create Prisoner Re-entry Information Technology Interface	-	\$0.2

HHR Proposed Savings of \$318.8 Million

(GF \$ in millions)

Agency/Item	FY 2013	FY 2014
Comprehensive Services Act (CSA)		
CSA Caseload and Utilization	(\$21.9)	(\$19.7)
Savings from Enhanced Data Collection Tools and Analysis	-	(\$9.9)
Department of Health		
Supplant GF for Resource Mothers with Federal Maternal and Child Health Block Grant	-	(\$0.5)
Transfer Costs for 30 Public Health Nurses in Schools to City of Norfolk	-	(\$0.4)
Department of Medical Assistance Services		
Adjust Medicaid Forecast by Va. Health Care Fund Revenue	(\$142.5)	(\$60.0)
Level Fund Disproportionate Share Hospital Payments	-	(\$21.7)
Adjust Forecast for Involuntary Mental Commitments	(\$1.3)	(\$0.8)
Adjust for Lower Cost of PERM Eligibility Review Contract	-	(\$1.1)
Reduce Personnel Costs	-	(\$0.4)
Maximize Federal Cost Allocation	-	(\$0.3)

HHR Proposed Savings of \$318.8 Million

(GF \$ in millions)

Agency/Item	FY 2013	FY 2014
Department of Behavioral Health & Developmental Services		
Reduce Discretionary Spending in State Mental Health Hospitals	-	(\$1.5)
Reduce Expenditures in Central Office	-	(\$0.2)
Department of Social Services		
Supplant GF for TANF Maintenance of Effort with Local Expenses	(\$5.0)	(\$5.0)
Caseload Changes in Foster Care and Adoption Subsidy Programs	(\$1.8)	(\$1.8)
Caseload Changes in Unemployed Parents Program	(\$1.1)	(\$0.8)
Auxiliary Grant Balances	-	(\$0.5)
Supplant GF with TANF for Community Action Agencies	-	(\$0.5)
Supplant GF with TANF for Healthy Families Virginia	-	(\$0.2)

Medicaid Forecast

- Adds \$46.2 million GF in FY 2013 and \$68.4 million GF in FY 2014
- Increases are due to:
 - Payment delays from FY 2012 for teaching hospitals, state training centers and mental health hospitals
 - Loss of anticipated savings from managed behavioral health care implementation in FY 2013
 - Rebasing of hospital costs in FY 2014
 - Continued growth in personal care provided through home- and community-based waivers and adult community mental health services
 - Slight increase in fee-for-service medical expenditures
- Adds \$11.3 million GF in FY 2014 to correct an error in funding for the state teaching hospital payments that was contained in the 2011 official Medicaid forecast
- Medicaid forecast is offset by:
 - Increased revenue from the Virginia Health Care Fund
 - Savings of \$142.5 million GF in FY 2013 and \$60.0 million GF in FY 2014
 - Primarily due to pharmacy rebates collected on behalf of managed care recipients required by federal health care reform
 - Slight increase in tobacco tax collections
 - Level funding hospital disproportionate share payments by \$21.7 million GF and \$21.7 million NGF in FY 2014

DMAS: Other Health Care Forecasts

- FAMIS forecast increases expenditures by:
 - \$5.1 million GF and \$9.4 million NGF in FY 2013
 - \$15.1 million GF and \$27.8 million NGF in FY 2014
- Represents growth of 14.4% in FY 2013 and 21.3% in FY 2014
 - Managed care rates increased by 15.6% beginning in FY 2013, higher than expected
 - \$6.0 million GF of the increase in FY 2014 is expected due to the “woodwork” effect of federal health care reform
- Restores \$20.9 million GF and \$41.8 million NGF in federal matching funds in FY 2014 for the Medicaid State Children's Health Insurance Program (SCHIP) as a stand-alone appropriation program and adjusts forecast
 - Serves children ages 6 to 19 in families with income up to 133% of the federal poverty level
 - Federal guidance allows states to continue to receive enhanced FAMIS match rate for these expenditures
 - Reduces \$240,471 GF and \$960,290 NGF in FY 2013 to reflect utilization and inflation changes
- Reduces funding for involuntary mental commitments by \$1.3 million GF in FY 2013 and \$754,777 GF in FY 2014 to reflect lower hospital and physician costs related to temporary detention orders

Targeted Medicaid Spending

- Provides \$3.0 million NGF in FY 2013 from the Virginia Health Care Fund for the Virginia Foundation for Health Innovation
 - Nonprofit, public-private partnership of employers, health care providers, health systems, health plans, pharmaceutical and device manufacturers, consumers and government
 - Mission is to accelerate the adoption of value-driven models of wellness and health care in Virginia
- Provides \$1.4 million GF and matching federal funds to reflect the Medicaid impact of covering inpatient hospital costs for aged, disabled or pregnant inmates that would otherwise qualify for Medicaid coverage
 - Savings to the general fund for this initiative are contained in Dept. of Corrections budget
- Adds \$916,624 GF and federal matching funds for nursing home reimbursement
 - Reduces the occupancy requirement for nursing home payments for indirect and capital costs from 90% to 88%
 - Adds language to authorize the development of a new nursing home reimbursement system to provide better incentives for cost effectiveness
- Adds \$650,784 GF and \$1.9 million NGF and 4.0 positions in FY 2014 to implement the dual eligible managed care demonstration program
 - Estimated to serve up to 70,000 individuals who are dually eligible for Medicaid and Medicare in four regions of the Commonwealth

Other Medicaid Issues

- Adds language authorizing an increase of up to 25% in Medicaid payments for congregate care for ID waiver recipients with the most intense behavioral or medical needs and are moving to community placements serving no more than four individuals
 - No additional funding is provided to support this cost
- Adds 13 positions to reflect responsibilities related to the DOJ Settlement Agreement to support quality management review, appeals, audit and oversight of the new waiver slots
- Adds \$28.8 million NGF in FY 2014 for the Provider Electronic Health Record Incentive Program
 - Federally funded
 - DMAS required to manage this federal grant program

Dept. of Behavioral Health & Developmental Services

- Adds \$5.1 million GF in FY 2014 to implement the DOJ Settlement Agreement to expand crisis services for adults and children with intellectual disabilities
 - Funding provided in FY 2012 only addressed adult crisis services and agency determined it to be insufficient
- Provides \$3.0 million GF each year to address needs for Part C early intervention services for infants and toddlers
 - \$750,000 GF of the funding is proposed to update and enhance data collection and accountability systems for the program
- Adds \$1.0 million GF in FY 2014 to increase access to psychiatry and crisis response services for children with serious emotional disturbances in 2 additional regions
 - The 2012 General Assembly provided \$1.5 million GF in FY 2013 and \$1.8 million GF in FY 2014 for 3 regional programs
- Adds \$750,000 GF to expand discharge assistance programs to assist individuals transition from state mental health hospitals to the community
- Restores \$700,000 GF in FY 2014 to maintain bed capacity at Northern Virginia Mental Health Institute
 - The 2012 General Assembly provided \$600,000 GF in FY 2013 only pending a report on the need for the additional capacity
- Adds \$185,982 GF in FY 2013 and \$893,929 GF in FY 2014 and 10 positions to enhance the agency's financial oversight of budget, management accounting and reimbursement functions involving federal, state, special funds and grants

Department of Social Services

- Adds \$2.0 million GF and \$500,000 NGF in FY 2014 to create pilot programs to increase adoption of children in foster care
 - Will provide a one-time payment of \$1,000 per child to offset the costs associated with the adoption, in addition to available federal funding
- Restores \$750,000 GF in FY 2014 to the Virginia Early Childhood Foundation
 - Public-private partnership to make grants to community-based organization to improve the provision of child care services
 - During the 2012 Session, funding was reduced by 50% in FY 2014
 - Budget language requires the additional funding be used to develop a kindergarten readiness assessment tool as part of the pilot program by Smart Beginnings coalitions and local school divisions
- Adds \$522,286 GF and \$1.9 million NGF from enhanced federal Medicaid matching funds and 8 positions to increase the agency's management and technical support for the eligibility modernization initiative
 - Chapter 3 contains over \$60 million in total funds at a 90% federal match rate to modernize the eligibility processing information system for benefit programs

Temporary Assistance To Needy Families (TANF)

- Supplants general fund spending on maintenance of effort for the Temporary Assistance to Needy Families (TANF) program by \$5.0 million each year with local TANF spending
- Redistributes TANF funding from cash assistance (due to lower caseloads) to other related services and administrative expenses
 - Sets aside \$3.5 million in TANF in FY 2014 as a reserve for estimated future operating costs attributable to the eligibility modernization project
 - Transfers \$2.2 million in TANF funding in FY 2013 and \$2.8 million in FY 2014 from cash assistance to meet the need for the Virginia Initiative for Employment not Welfare (VIEW) child care subsidies
 - Transfers \$1.8 million in TANF in FY 2014 to the Child Care and Development Fund for at-risk child day care subsidies
 - Provides \$1.8 million NGF each year to operate TANF-related information systems and fund local staffing and operations
 - Supplants \$658,104 GF in FY 2014 for Community Action Agencies (\$500,000) and Healthy Families Virginia (\$158,104)

PUBLIC EDUCATION

Direct Aid to Public Education

- Overall, the Governor's proposed budget amendments reflect 5 major categories:
 - Technical Updates
 - SOQ, Incentive & Categorical programs for ADM, Sales Tax, and Lottery Revenues
 - Compensation
 - Teacher Salary Incentive
 - Strategic Compensation Grants
 - New Program Initiatives
 - BOE's Teacher Staffing Standard for Blind or Visually Impaired Students
 - Reading Specialist for Elementary Schools
 - Expanded Program Initiatives
 - Math/Science Recruitment and Retention
 - Effective School-wide Discipline
 - Policy Changes
 - Elimination of COCA
 - Funding and Staffing Standard for Nurses

Technical Updates to SOQ, Incentive & Categorical Accounts

- Updates reflect revised projected student ADM for lower estimated growth: net savings \$19.6 million GF
 - FY 2013: \$8.9 million decrease due to 1,183 fewer students than projected
 - Revised statewide ADM estimate of 1,221,486
 - FY 2014: \$10.7 million decrease due to 1,290 fewer students than projected
 - Revised statewide ADM estimate of 1,228,510

- Updates to Incentive and Categorical Programs for student participation levels: net savings of \$1.6 million GF
 - FY 2013: \$1.0 million decrease
 - FY 2014: \$0.6 million decrease

Technical Update for Sales Tax

- Revised revenue forecast for sales tax distributions and related changes to the SOQ Basic Aid payments result in a net increase of \$7.7 million over the biennium
 - An increase in sales tax revenue reduces both the state's share and the local matching share for Basic Aid costs
 - A decrease in sales tax revenue increases both the state's share and the local matching share for Basic Aid costs

Net Sales Tax	FY 2013	FY 2014	TOTAL
Proposed Increase to Sales Tax Forecast	\$9.1	\$8.4	\$17.4
SOQ Basic Aid Adjustment	(\$5.1)	(\$4.7)	(\$9.8)
NET Total Adjustments	\$4.0	\$3.7	\$7.7

Updates to Lottery Proceeds & Literary Funds

- The Governor's budget reflects adjustments in the Lottery Proceeds Fund for prior year balances of \$35.2 million for a revised total of \$492.5 million in FY 2013
 - FY 2014 Lottery revenue allocation remains unchanged at \$462.0 million
- Also reflects technical adjustments for lower student participation rates for programs funded with Lottery revenues, resulting in \$11.2 million in FY 2013 and \$4.8 million in FY 2014 of 'freed up' Lottery money
- Allocates those available net Lottery revenues to fund and supplant a like amount of general fund programs for a total GF savings of \$46.4 million in FY 2013 and \$4.8 million in FY 2014
- Reflects a technical adjustment for an additional \$9.0 million NGF in the Literary Fund revenue the first year
 - Supplants a like amount of general fund costs for teacher retirement

Other Technical Updates

- Includes \$2.0 million in the second year in SOQ Basic Aid payments due to the statewide changes in the estimated annual school-aged population
- Adds \$6.2 million in the second year to reflect the consolidation of the Bedford County and Bedford City school divisions due to the reversion of the city to a township status
 - Newly combined or consolidated school divisions are entitled to use the lower composite index value of the previously separate school divisions for 15 years
- Updates the nongeneral fund appropriation by \$36.8 million to better reflect the anticipated federal grant awards that school divisions may receive each year
- Updates the National Board Certification allocation based on the most recent actual number of eligible teachers: saves \$210,000 for the biennium
 - Proposed language also moves the deadline for divisions to report the number of eligible teachers from September 30th to October 15th

\$58.7 Million for Teacher 2% Salary Incentive

- Proposed amendment in budget includes \$58.7 million in FY 2014 for the state's share of a 2% salary incentive for all funded instructional positions - effective July 1, 2013
 - Participation is optional and requires a local match in order to receive the state funding
 - Instructional positions include: teachers, principals, assistant principals, counselors, librarians and instructional aides
 - The proposed increase would be contingent on the passage of the Governor's proposed Educator Fairness Act legislation
 - Extends the probationary window for teachers from 3 to 5 years
 - Provides for a definition of incompetence to include one or more unsatisfactory performance evaluations
 - Streamline the grievance procedure and would allow for an expedited decision to let the teacher know the final outcome

\$15 Million in Strategic Compensation Grants

- Proposes \$15.0 million in FY 2014 for competitive grants to school divisions that develop and implement a Strategic Compensation System
 - Designed system would be based on the strategic goals and objectives of the school division
 - Provide incentive award payments of up to \$5,000 to eligible teachers meeting the eligibility requirements of the system
 - Interested school divisions would have to submit their grant proposals to the Department of Education for review and evaluation by July 15, 2013

New Program Initiatives

- Proposes adding \$4.9 million GF in FY 2014 to fund the BOE's recommended teacher staffing standard for students who are blind or visually impaired
 - There is a companion amendment in the Department for the Blind and Visually Impaired (DBVI) that reflects a savings of \$502,662 GF in the second year
 - DBVI funding had been allocated to reimburse those school divisions that paid for hourly teachers to provide services to these students
- Proposes adding \$1.4 million GF in FY 2014 to provide the state's share of one reading specialist per elementary school that scores below 75% on the third grade reading SOL test
- Provides \$210,000 GF in FY 2014 for a new two-week Summer Regional Governor's School for Entrepreneurship program for middle school students

Expanded Program Initiatives

- Adds \$341,040 GF in FY 2014 to implement or expand the Effective School-wide Discipline initiative to more schools that have high suspension or expulsion rates
 - Also proposed, is an additional \$277,000 in DOE's Central Office budget that would be used to develop and train school personnel
- An additional \$267,548 GF is proposed in FY 2014 for the Path to Industry Certification initiative to help offset increased exam fees and more students taking the tests
- Provides \$100,000 GF in FY 2014 for supplemental grants for Charter School applicants
- Proposes eliminating the Virginia Teaching Scholarship Loan Program in FY 2014 and to reprogram the \$708,000 GF to expand the Math/ Science Recruitment and Retention Initiative
 - The initiative provides an initial year incentive award of \$5,000 and \$1,000 for up to 3 years thereafter to eligible new math, physics, or technology teachers
- Under the Secretary of Education: adds \$600,000 GF in FY 2014 for development and implementation of College Partnership Laboratory Schools

Proposed Policy Changes

- The proposed amended budget eliminates the Cost of Competing Adjustment (COCA) supplemental payment for support positions in FY 2014 and saves \$12.2 million GF
- Saves \$425,331 GF in FY 2014 by adjusting the funding methodology that determines the percentage of third grade students funded in the Early Intervention Reading Initiative
 - This change will make the third grade funding formula methodology consistent with the formula used for the other grade levels included in the initiative -- kindergarten through second grade

Proposed Policy Changes

- The proposed budget includes prospective language using a new funding methodology and funding standard for rebenchmarking the FY 2014-2016 costs for school nurses
 - Funding would be based on one nurse per school with fall membership less than 1,500 and two nurses for schools with membership at or above 1,500
 - Language also encourages the Board of Education to consider adopting a staffing standard for nurses in the SOQ matching the proposed funding methodology
 - Eliminates existing language mandating school divisions must spend 100% of their health services allocations beginning in FY 2015
 - This change would be consistent with the current practice for all other state allocations to school divisions
- Proposed language reduces the data reported for the Required Local Effort Report by allowing superintendents to certify sufficient funds have been budgeted rather than submitting actual detailed budget data
- Provides flexibility to allow Workplace Readiness Skills Assessment funds to be used for the Path to Industry Certification initiative

Central Office – \$2.1 Million Proposed for FY 2014

- Recommends adding \$600,926 GF for the Virginia Opportunity School District initiative
- Proposes \$500,000 GF for Academic Reviews of schools that are not fully accredited
- Includes \$277,000 GF for the development & training for teachers & administrators on the implementation of a School-wide Discipline system
- Proposes \$220,191 GF to establish a new Virginia Center for Excellence in Teaching, which will offer residential summer professional development academies to exemplary teachers
- Adds \$178,806 GF to support the implementation and the administration of two education related tax credit programs
- Provides \$156,060 GF for the operation of the Statewide Virginia Longitudinal Data System
- Includes \$104,783 GF to develop online professional development materials for the PALS system
- Lastly, adds \$100,000 GF for the Innovative Education Technical Advisory Group to assist new applicants interested in establishing a new charter, college laboratory, or virtual school site

HIGHER EDUCATION

Colleges and Universities

- Recommends \$19.5 million GF in FY 2014
 - \$7.8 million in incentive funding distributed based on a degree production
 - \$4.9 million to support projected enrollment growth
 - \$3.9 million for ODU base operating support
 - \$1.9 million for undergraduate financial aid
 - \$1.0 million for Virginia Tech brain injury research
- Increases the required reallocation in FY 2014 from 2% to 5% or about \$23.1 million to \$60.2 million
 - Reallocation is intended to support Top Jobs initiatives
 - VIMS, VT-extension and VSU-Extension are now required to generate reallocation as well (\$2.5 million)

Other Higher Education

- \$2.0 million in the VCCS for workforce related initiatives
 - \$1.8 million for Career Pathways program
 - \$125,000 at Thomas Nelson CC to plan for advanced manufacturing program
 - \$100,000 to plan for a new Governor's Academy for Student Apprenticeships
- \$4.2 million in central accounts for interest earnings
 - \$2.4 million in FY 2013 and \$1.8 million in FY 2014
- \$600,000 for the Unique Military programs at VT
- \$250,000 to support Parkinson's and Movement Disorder Center at VCU
- Transfers \$3.7 million excess funding from FY 2013 to FY 2014 to increase TAG grant from \$2,800 to \$3,100
- \$600,000 for the Virginia Military Survivors and Dependents program (VMSDEP)
 - Supports increased enrollment and an increase in the stipend from \$1,500 to \$1,800
- \$117,500 for operation costs related to a new research facility at Southwest Virginia HEC constructed through tobacco settlement funds

CAPITAL OUTLAY

General Fund Spending and Savings

- Proposes \$3.7 million GF in FY for a workforce development center at Danville Community College
- Treasury Board debt service savings of \$6.5 million GF in FY 2013 and \$23.5 million GF in FY 2014 due to lower interest rates, draw schedule changes and delayed sale of Higher Education Equipment Trust Fund bonds

Capital Construction and Repairs

- Proposes \$308.7 million in VCBA / VPBA bonds as follows:
 - \$263.8 million to create a capital pool for the 33 projects approved for planning in the Chapter 3
 - Projects would be funded on first-come basis as planning is completed
 - Value of planning projects is greater than \$800 million
 - \$35.3 million to re-establish energy conservation projects
 - Program originally established in the 2010 Session as part of ARRA but was never utilized
 - \$9.6 million to supplement the maintenance reserve program primarily for Ft. Monroe pump station repairs and Consolidated Labs mold issues

Reprogram Existing Bond Authority

- Requests the reprogramming of \$72.8 million in bond proceeds authorized in the 2008 and 2010 capital project pools
- The existing bond authority would be allocated to seven projects:
 - NSU – Replace Brown Hall
 - DOC – Acquire / Construct Richmond P & P Office
 - VSU – Stormwater & Erosion Management Facility
 - VSU – Water Storage Tank
 - DBHDS – Western State Hospital Supplement
 - GMU – Expand Central Utility Plant
 - GMU – Equipment for Science & Technology and Fine Arts Building

Nongeneral Fund Supported Capital Projects

- Projects funded through nongeneral funds (e.g. gifts, federal funds, auxiliary enterprise revenues, and port revenues)
 - \$23.1 million NGF revenue projects primarily in VDOT to construct or renovate various facilities statewide
 - \$9.7 million in 9(c) revenue bonds to supplement a higher education dorm project at CWM
 - \$8.2 million in 9(d) revenue bonds for higher education projects

TRANSPORTATION

Transportation: VDOT

- Only one major action is proposed within Transportation -- the deposit of an additional 0.05% of the general sales and use tax to the Highway Maintenance and Operating Fund which would provide an additional \$48.1 million NGF in FY 2014
 - Language implementing this change is included in the §3.5.09, although it is anticipated that the Governor will offer legislation this Session to make a permanent shift in the distribution of a portion of the sales tax revenues
- Amendments include positive technical adjustments of \$345.5 million in FY 2013 and a reduction of \$86.7 million in FY 2014 to reflect the December revisions to the Commonwealth Transportation Fund forecast as well as adjustments included in the FY 2013-2018 Six Year Program adopted by the Commonwealth Transportation Board last June
 - Revised CTF forecast for upcoming biennium assumes growth of 2.6% in FY 2013 and 4.6% in FY 2014 inclusive of the additional sales tax proposed
 - Major adjustments in the Six Year Program reflected changes in the Department's bond issuance schedule and revisions to assumed federal revenues
- Similar forecast adjustments provide an additional \$3.3 million to the Department of Rail and Public Transportation in FY 2014

Other Transportation Actions

- Includes 2 proposals related to the Virginia Commercial Space Flight Authority
 - Authorization provided to use \$800,000 NGF from the TTF to meet NASA requirements for shoreline protection at the Authority on Wallops Island. These will be matched by federal funds
 - Also amends language relating to the source of funding for the capital purchase of Spaceport components from Orbital Sciences to allow the use of any unencumbered amounts identified by the Secretary from among the transportation agencies for this purpose
- DMV Transfer Payments item reflects the transfer – pursuant to legislation adopted by the 2012 General Assembly – of \$79.8 million NGF in the second year from the Department of Taxation
 - This amount represents the revenue generated by the Northern Virginia regional motor fuel sales tax which will now be administered by DMV
- Capital Outlay section authorizes \$20.0 million NGF in the second year for VDOT umbrella renovation projects at district, residency, area headquarters and central office facilities

COMMERCE AND TRADE AGRICULTURE AND FORESTRY

Commerce and Trade

- The proposed amendments within the agencies in Commerce and Trade include increases of \$6.2 million GF offset by reductions of \$5.2 million
- Fort Monroe Authority
 - Proposes \$5.1 million GF in FY 2014 for the Authority. This entity has been funded on a year-by-year basis and no appropriation was included in Chapter 3 for FY 2014
 - FY 2013 amount is reduced by \$1.5 million based on receipt of federal funding
 - Also included in Capital is an additional \$2.5 million in the second year for maintenance reserve funding for replacement of the central pumping station
- At the Virginia Employment Commission, \$500,000 GF is proposed in the second year for a new initiative to establish an online job recruitment site that uses social networks to match job openings with job seekers

Commerce and Trade Agencies

- Virginia Economic Development Partnership
 - Proposes \$481,500 GF the second year for a new initiative to assist Virginia businesses that are dependent on federal government contracting to identify international marketing opportunities as alternatives for their goods and services
 - Also included are \$305,969 GF in reductions related to discretionary spending, personnel costs and public relations programming

- Department of Housing and Community Development
 - Provides \$250,000 GF the second year to the Heartwood Artisan Center, established in Code as a partnership between the state and 23 localities in Southwest Virginia, to promote economic development in the region

Commerce and Trade Agencies Savings

- Within the Economic Development Incentives Account, there are reductions totaling \$550,000 the first year and \$1.5 million the second year for the Virginia Investment Partnership (VIP) program to reflect lower payments owed to companies because of failure to meet performance requirements
- Also proposes adoption of agency-submitted savings actions at the Department of Labor and Industry, Department of Mines, Minerals and Energy, and the Department of Business Assistance totaling approximately \$709,346
 - At DOLI this is achieved through reorganization and use of federal funds
 - At DMME the strategies focus on supplanting GF with existing fee revenues
 - At DBA the savings are generated by reductions in administrative costs

Commerce and Trade

- At the Virginia Tourism Authority there are two actions related to the cooperative advertising programs
 - The first is the elimination of the \$75,000 in funding provided for outdoor advertising in the second year
 - Also included is a reduction in the funding for the cooperative advertising of \$597,544 GF in the second year with these funds being redirected within the agency to increased out-of-state advertising and electronic marketing, particularly in the D. C. market
 - ▶ This leaves \$80,012 in the second year for See Virginia First (a reduction of \$497,544 GF) and \$280,012 for the unspecified cooperative programs

Agriculture and Forestry

- Proposals within the Secretariat of Agriculture and Forestry reflect net savings of just over \$200,000 against a GF base of \$91.4 million
- VDACS spending proposals include:
 - \$110,000 and 1 position to administer the Agriculture and Forestries Development Fund created pursuant to 2012 legislation
 - \$250,000 the second year to increase the frequency of inspections under the weights and measures program
 - \$98,420 the second year to increase food safety and security inspections
 - \$72,525 GF the second year to match federal funds for coyote control and expand the program into the eastern portion of the state
- VDACS savings include:
 - Reduction in the Purchase of Development Rights Program of \$400,000, leaving \$800,000 in FY 2014
 - Elimination of \$208,751 in FY 2014 that had been provided for MELP payments for an ineligible project
 - Delay in implementation of the Beehive Grant Fund until FY 2014 at a savings of \$125,000
- Department of Forestry
 - One spending item of \$175,000 GF the second year to upgrade the forest resources information system is offset by agency-identified reductions totaling \$173,540

NATURAL RESOURCES

Water Quality Improvement Bond Projects

- Proposes the issuance of \$200 million in tax-supported bonds
 - \$101 million is provided for wastewater treatment plant upgrades to finance grant agreements through FY 2016
 - \$59 million is provided for combined sewer overflow projects in Richmond and Lynchburg
 - \$40 million would be provided to the City of Richmond and \$19 million to the City of Lynchburg
 - \$5 million is provided to the City of Hopewell to finance a supplemental nutrient removal project
 - \$35 million is a new program, the Stormwater Local Assistance Fund, and finances capital projects involving installation of new stormwater BMPs, stormwater retrofits, low impact development projects, buffer restoration, retention pond retrofits, and wetlands restoration
 - Much of this funding is targeted to localities that have federal Phase I or II MS-4 permits to operate separate stormwater management systems

Department of Conservation and Recreation

- Provides a \$16.9 million deposit to WQIF in FY 2013, representing the total amount of the year-end general fund surplus designated for water quality
 - Allocates \$14.6 million for implementation of agricultural BMPs
 - Allocates remaining \$2.3 million for developing local stormwater management programs
 - Once again, language states no deposit will be made to the WQIF Reserve Fund

- Saves \$202,177 GF in FY 2014 from eliminating vacant positions and their associated administrative expenses and other actions

Department of Environmental Quality

- Proposes \$707,822 GF each year for the payment of VITA information technology charges
 - During the 2011 Session, the General Assembly approved \$800,000 GF per year for the payment of DEQ's VITA IT charges; however, DPB administratively allocated only \$112,000 to DEQ for FY 2013
 - The amendment restores the amounts that the General Assembly originally approved for DEQ
- Proposes \$237,751 GF in FY 2014 to replace the agency's outdated phone system
- Proposes \$100,000 GF in FY 2014 to monitor the intrusion of saltwater into Virginia's coastal aquifer
 - Represents the state match for a cooperative project with the U.S. Geological Survey to protect public groundwater supplies

Other Natural Resource Agencies

■ Historic Resources

- Proposes \$241,412 GF in FY 2014 to fund VITA IT charges
- Adds \$73,102 and 1 position in FY 2014 support easement monitoring and working with landowners to secure additional historic easements

■ Marine Resources Commission

- Proposes \$2.0 million GF in FY 2014 to support additional oyster replenishment
- Includes an additional \$84,000 GF in FY 2014 for the state share of the Tangier Island Seawall Project
- Administrative actions provide \$175,000 in FY 2013 & \$12,000 in FY 2014
- Provides \$221,572 GF in 2014 to support four positions previously funded by federal grants that are likely to be eliminated by June 2013

■ Virginia Museum of Natural History

- Proposes \$183,509 GF in FY 2014 to operate a distance learning classroom to connect the public, teachers, and students to scientists through two-way video and podcasts

PUBLIC SAFETY

Department of Corrections

- Proposes \$14.3 million GF and 325 positions in FY 2014 to open the River North Correctional Center in Grayson County
 - 50% of inmates to be transferred from other prisons; remainder will come from state-responsible inmates housed in local and regional jails
- Includes \$12.7 million GF in FY 2014 to level fund inmate medical care with funding in FY 2013
 - The adopted budget assumed a higher level of savings for hospitalized inmates who would otherwise be eligible for Medicaid
 - Eligible inmates include the aged, blind, disabled, & pregnant females
 - Coverage would begin July 1, 2013
- Includes \$275,000 GF in FY 2014 to establish a computer interface with the Department of Social Services' (DSS) eligibility database in order to automatically check prior to their release whether offenders will be eligible for DSS benefits and services

Department of Corrections

- Includes \$2.9 million GF in FY 2014 for the additional costs of the department's new telephone system
- Adds \$266,016 GF in FY 2014 for the first installment of a 7-year MELP purchase for a new radio system for Sussex I and Sussex II Correctional Centers
- Proposes \$135,470 GF in FY 2013 and \$2.0 million GF in FY 2014 for the increased Line of Duty Act premiums for correctional officers
- Includes \$1.9 million GF in FY 2014 for the Woodrum impacts associated with 10 proposed criminal sentencing bills

Department of Juvenile Justice

- Saves \$7.1 million GF and 101.5 positions in FY 2014 by closing Hanover Juvenile Correctional Center and downsizing other facilities
 - Proposes to distribute juveniles housed in Hanover Juvenile Correctional Center throughout the remaining juvenile correction centers
- If more than \$7.1 million in savings are achieved, any additional amounts would be used to improve education, re-entry, mental health treatment, and health services for juveniles

Department of State Police

- Proposes \$100,000 GF in FY 2013 and \$1.1 million GF and 12 positions in FY 2014 to operate the new driver training facility at Fort Pickett beginning in January 2013
- Proposes \$524,763 GF in FY 2014 to fully fund the Sex Offender Investigator Unit charged with monitoring sex offenders who are not on probation or parole
 - Investigator unit was created last year, but second year funding was insufficient
 - Sex offenders on probation or parole are monitored by DOC
- Includes \$405,377 GF and 3 positions in FY 2014 to support information technology requirements, including the LiveScan automated fingerprinting system

Other Public Safety Agencies

- **Forensic Science**
 - Adds \$1.0 million NGF each year due to a continuation of federal grants for the DNA testing program
- **Emergency Management**
 - Proposes \$312,000 GF each year to pay VITA charges previously paid from discontinued federal funds
 - Proposes \$820,901 GF in FY 2014 to support IT transformation to VITA/Northrop Grumman services
- **Criminal Justice Services**
 - Includes \$185,364 GF in FY 2014 to restore about 50% of the reductions to PAPIS services during the FY 2008-2010 biennium
 - Transfers \$150,000 in DCJS administrative charges for the asset seizure and forfeiture program to the general fund
- **Military Affairs**
 - Proposes \$170,266 GF and \$510,799 in federal funds to add a fifth class per year for the Commonwealth Challenge program
 - Includes \$129,042 GF in 2013 and \$797,570 GF in FY 2014 for increased Line of Duty Act premiums for National Guard members

Sheriffs and Jails

- Proposes \$6.3 million GF in FY 2013 to increase jail per diems for local and regional jails
 - Growth in jail per diems is based on actual inmate population counts through the first quarter of the affected fiscal year
- Adds \$138,034 GF in FY 2014 for the operations and staffing for the new Richmond City jail
 - Jail is slated to be completed in January 2013, funding and positions are provided as of February 2013

Secretary of Veterans Affairs and Homeland Security

- Proposes a total of \$7.5 million, including \$1.3 million NGF, in FY 2014 to assist Virginia Beach reduce encroachment on U.S. Navy Master Jet Base Oceana
 - Source of NGF is the state's share of proceeds from the sale of previously acquired properties
- Includes \$250,000 GF in FY 2014 to match a federal grant for development of a database on defense contractors in Virginia and to maintain existing federally-funded positions in the Secretary's office

Department of Veterans Services

- Proposes \$150,000 GF in FY 2014 to enhance the Virginia Values Veterans (V3) program, which encourages companies to hire veterans
- Proposes \$200,000 GF in FY 2014 to continue providing grants to disabled Virginia veterans of up to \$4,000 each to modify their homes to improve access and mobility
 - Operated by VHDA since 2005, DVS would provide support for program that VHDA no longer can
- Includes \$75,000 GF in FY 2014 to develop a web-based system for the Virginia Military Survivors & Dependent Education Program
 - Eliminates current paper-based application, approval, and monitoring
- Uses increased federal burial reimbursement rates to both supplant \$80,000 GF to replace cemetery equipment with \$160,000 NGF and to support \$80,000 for cemetery maintenance projects
 - Federal burial reimbursement per veteran increased from \$300 to \$340

TECHNOLOGY

VITA and Innovation Investment Authority

■ VITA

- Increases the sum sufficient amounts charged state agencies for various VITA/Northrop Grumman services by \$26.8 million in FY 2013 and \$24.6 million in FY 2014
- Includes data, voice, video services, data center services, desktop and end user services, and computer operations security services
- Proposes \$121,535 GF in FY 2013 and \$132,582 GF in FY 2014 to create an Information Security Officer to work with small agencies (defined as fewer than 100 employees)

■ Innovation and Entrepreneurship Investment Authority

- Saves \$137,000 GF in FY 2014 by eliminating the replacement of audio-visual equipment and office furniture and the development of a web-based interactive map of its programs and client services

COMPENSATION AND RETIREMENT

State Employee Health Insurance

- Proposes \$64.4 million GF in FY 2014 for increased premiums for the state employee health insurance program
 - Proposal eliminates the adjustment which uses Health Insurance Fund (HIF) balances to subsidize the employee and employer rates
 - Adjust base funding to reflect that actual FY 2013 expenditures are projected to be higher than original projections
 - Funds projected health care inflation for from FY 2013 to FY 2014
 - Fund the first year of a 5-year schedule to replenish the HIF balances to be no less than the Incurred But Not Reported Claims Estimate
 - Language amendment increases HIF's line of credit up to \$150.0 million
 - Assumes savings of \$5.3 million GF each year from health plan design changes

State Employee Health Insurance Detail

(Estimated FY 2014 impact in millions)

- Funding in the proposed amendments are preliminary as they do not incorporate the new contracts for health insurance
 - DHRM issued two RFPs incorporating the management of employee health insurance program
 - The contracts were awarded in late December but have not yet been signed
 - Funding would equate to a premium increase of around 20% for basic COVA Care

Plan Design Change	GF
Additional Funding for FY 2014 Premiums	\$69.7
Establish Drug Network for Maintenance Drugs	(\$4.9)
Increase Copayments for ER Visits: \$125 to \$150	(\$0.4)
Total	\$64.4

Line of Duty

- Proposes an additional \$1.7 million GF in FY 2014 for state agencies to support the Line of Duty program
 - Results in total GF support for the program of \$3.4 million in FY 2014
 - Amendments distribute original funding and new funding to the specific agencies
 - Introduced budget assumes per potential beneficiary annual premium will increase from \$474 in FY 2013 to \$542 in FY 2014, a 14% increase

Targeted Salary Action

- Includes \$2.1 million GF in FY 2014 to provide a \$3,308 per year salary increase for Assistant Commonwealth's Attorneys
 - This amendment is the first year of a two year plan to raise starting salaries to \$52,000 per year
 - Funding would increase starting salaries from \$45,385 per year to \$48,693

GENERAL GOVERNMENT

General Government Spending Actions

- Eliminates Local Aid Reversion Account: Includes \$45.0 million GF in FY 2014 to eliminate the local aid reversion clearing account
- Additional Funding for Revenue Stabilization Deposits: Proposes an additional \$128.3 million GF in FY 2014 for deposits into the Revenue Stabilization Fund.
 - Includes an additional \$78.3 million for the FY 2014 required revenue stabilization deposit. This action would increase funding for the FY 2014 deposit from \$166.4 million, as included in Chapter 3, to \$244.7 million GFs required deposit
 - Proposes \$50.0 million GF for an advance payment towards the expected deposits into the Revenue Stabilization Fund during the 2014-16 biennium which is projected to be over \$370 million for the two years
- Funding to Support Gubernatorial Transition: Proposes \$3.3 million GF in FY 2014 for cost pursuant to the Gubernatorial transition
 - Includes \$2.4 million GF for severance cost for executive office staff and staff within the cabinet offices

Judicial Vacancies

- Includes language authorizing the filling of 15 judgeships that are/or will be vacant before the end of the biennium
 - Authorizes 5 circuit court judgeships; one each in the 5th, 15th, 22nd, 25th, and 26th circuits
 - Authorizes 8 general district court judgeships; one each in the 2nd, 4th, 11th, 12th, 14th, 15th, 28th, and 29th districts
 - Authorizes 2 juvenile and domestic relations district court judgeships; one each in the 16th and 31st districts
 - Based on the proposed amendments there would be at least 28 vacant judgeships by the end of the biennium
 - The proposed amendments assume a reversion to the General Fund of \$4.0 million in FY 2014 from judicial vacancies
 - Chapter 3 assumed a reversion of \$4.7 million in FY 2014

Judicial Department & Executive Offices

■ Judicial Department

- Includes \$1.3 million in FY 2013 and \$1.7 million in FY 2014 to reflect higher than projected expenditures for the Criminal Fund

■ Executive Offices

- Office of Attorney General: Includes \$2.1 million NGF and 14 positions each year for additional staffing for the Medicaid Fraud Control Unit (MFCU) within the office of the Attorney General
 - Chapter 3 provided 31.5 additional staff for the MFCU
- Office of the State Inspector General: Proposes 43 positions and \$3.1 million GF and \$1.9 million NGF in FY 2014 for the new Office of the State Inspector General
 - Transfers \$2.2 million GF, \$1.9 million NGF and 37 positions from other state agencies in FY 2014
 - Includes \$230,000 GF the first year and \$885,872 GF in FY 2014 and 6.0 positions in new funding
 - The total proposed appropriation for the new office is \$4.5 million GF and \$2.0 million NGF in FY 2014

Administration & Finance Spending

- Compensation Board
 - Proposes \$172,480 GF in FY 2014 to convert the Commonwealth Attorney's for Bland and Cumberland County to full-time status
- Department of Accounts
 - Provides \$1.2 million GF and 7 positions in FY 2014 directly to the Department to support the implementation and operation of the Cardinal System
 - The majority of the cost of the system will be recaptured through an internal service fund
- Department of Taxation
 - Includes \$50,613 GF in FY 2013 and \$2.8 million GF in FY 2014 to modify the Department's infrastructure to comply with an IRS audit
 - Provides \$389,400 GF in FY 2014 to implement an electronic filing program for pass-thru entities which is expected to result in savings in future years

Administration & Finance Savings

- **State Board of Elections**
 - Includes savings of \$110,691 GF from streamlining administrative operations

- **Department of Planning and Budget**
 - Reduces the funding for the School Efficiency Review Program in FY 2014 by \$100,000 GF
 - Language is included which would give localities on the waiting list the option of having the review performed immediately if they are willing to pay 100% of the cost

- **Department of Taxation**
 - Assumes savings of \$0.4 million GF in FY 2014 from streamlining administrative expenses