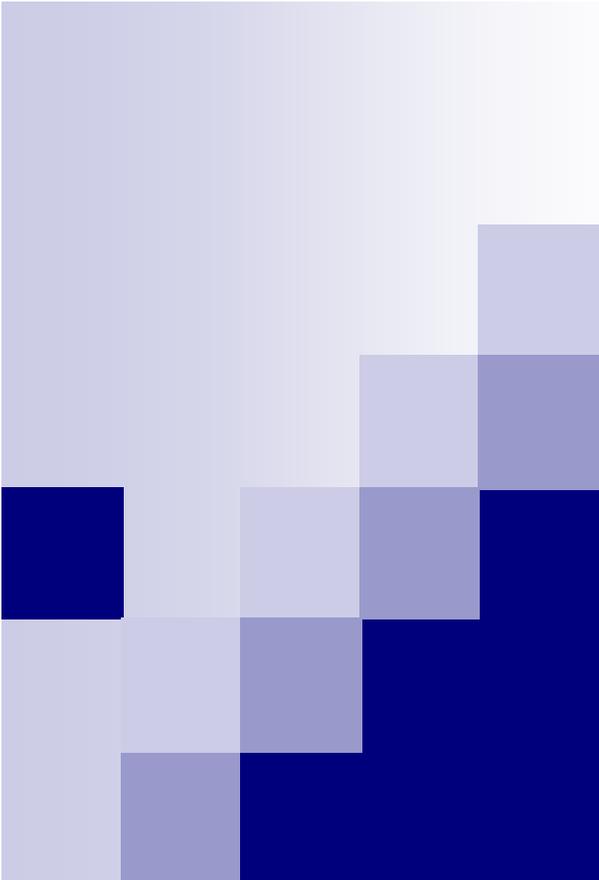




House Appropriations Committee

**Recommended Amendments to the 2006-2008
Budget (House Bill 1650, as introduced)
February 4, 2007**

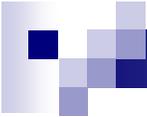


Report of the Transportation Subcommittee



Transportation Funding

- Recommends appropriation of \$566.0 million GF for transportation initiatives
 - This includes the \$339.0 million dedicated to transportation but not allocated by the 2006 General Assembly
- The uses of these funds are as follows:
 - \$339.0 million GF deposited into the Transportation Partnership Opportunity Fund (TPOF) for specific PPTA and design-build projects
 - Language authorizes the CTB to transfer \$65.0 million to the rail enhancement fund and \$15.0 million to the Port Fund
 - \$64.0 million deposit into the Transportation Trust Fund
 - Funds would flow through the modal allocation formula
 - Highway portion would flow through existing formula provisions
 - \$163.0 million as a one-time deposit to the Commonwealth Transportation Capital Projects Fund



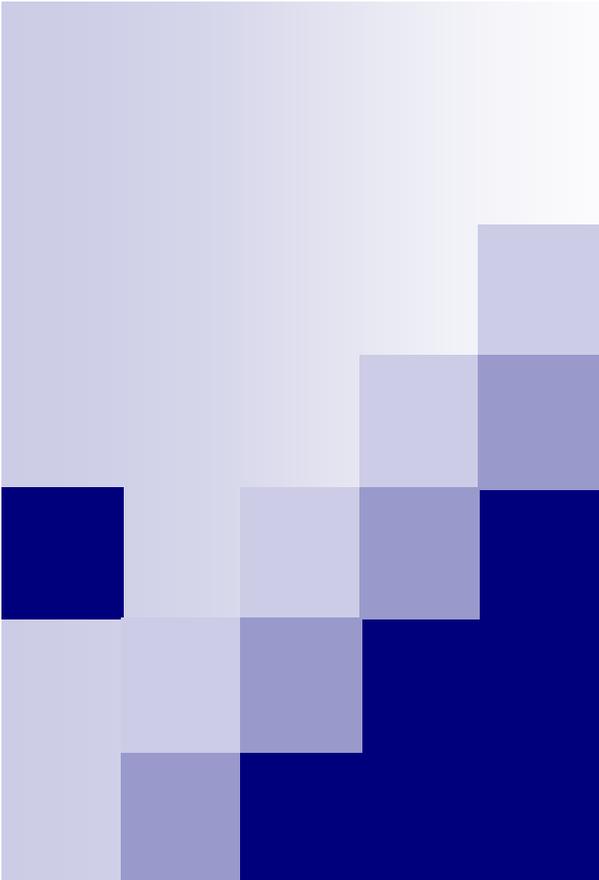
Support for Statewide Bond Package

- Both HB 3202 and HB 1712 authorize the Commonwealth Transportation Board to issue up to \$2.0 billion of “AA”-rated 9(d) debt
 - Debt issuances limited to \$300 million in any one year
 - When the entire \$2.0 billion in bonds is issued (approximately 2014), debt service requirements will peak at about \$154 million each year
- \$163 million from the general fund used as a one-time deposit to support debt service requirements of transportation bonds
 - This amount deposited into the Commonwealth Transportation Capital Projects Fund
 - Will serve as a reserve fund and generate interest because full amount not required for debt service in early years
 - In conjunction with the portion of 1/3 insurance premiums not required to service FRAN debt service, these amounts fully fund the debt service costs for the life of the bonds
 - First issuance of FRAN debt is retired in FY 2011, larger retirement in FY 2014.



Transportation Actions

- Authorizes the Department of Planning and Budget to increase the nongeneral fund appropriations of the transportation agencies to reflect revenues dedicated to transportation by any legislation adopted by the 2007 Session of the General Assembly



Report of the Compensation and Benefits Subcommittee



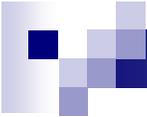
Employee Compensation Proposal

- Provides additional 1 percent salary increase for state classified employees and state-supported local employees (i.e., constitutional officers)
 - Increases second year salary increase to 4 percent (including 3 percent in Chapter 10)
 - \$16.9 million GF for state employees and state-supported local employees
 - Targeted salary increases included in the introduced budget have been adjusted to reflect this additional 1 percent salary increase



Targeted Salary Increases

- The recommendations include \$14.1 million for targeted salary increases
 - Nursing Faculty
 - DOA Accountants
 - DJJ Correctional Officers
 - DOC Correctional Officers
 - Public Defenders at Indigent Defense Commission
 - Attorneys at Attorney General's Office
 - Staff at DMBE
 - Judicial branch employees



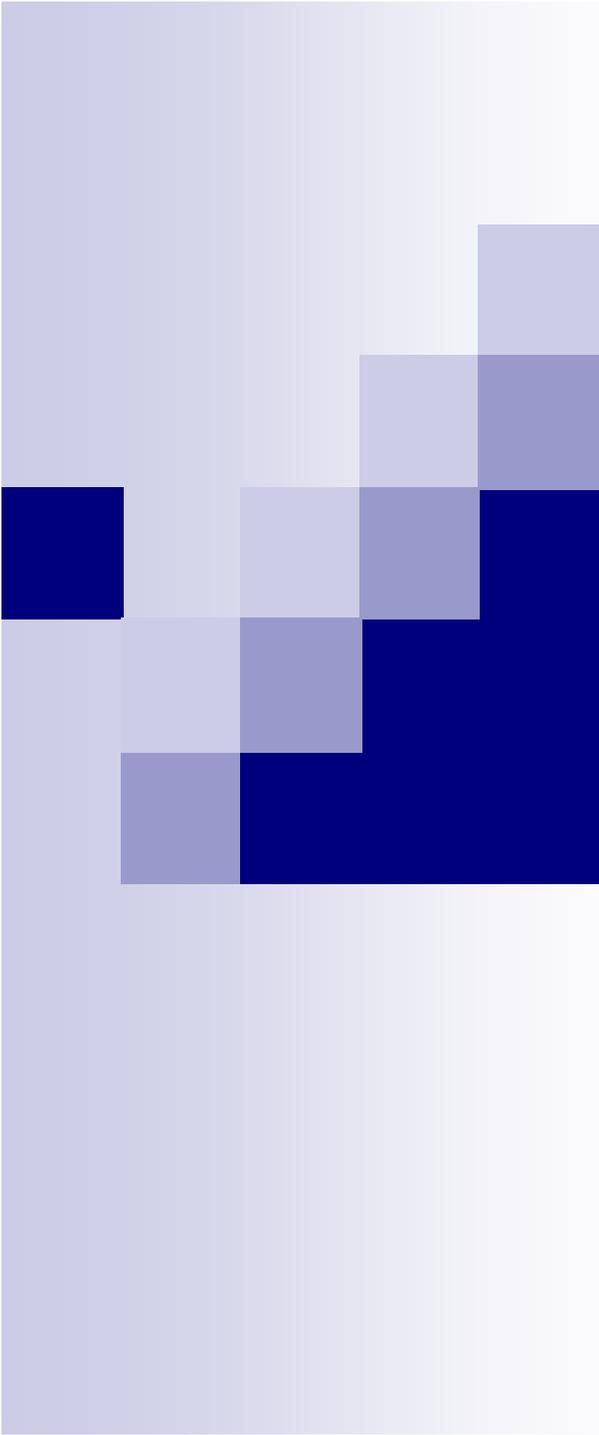
Enhanced Retirement Benefits for Law Enforcement

- SPORS: \$2.3 million GF and \$533,000 NGF to increase the retirement multiplier for State Police officers from 1.7 to 1.85 percent for those retiring on or after July 1, 2007
- LEOS: Proposes to provide an enhanced contribution rate to localities and regional jails that provide enhanced benefits
 - Affects localities and regional jails that provide enhanced benefits to sheriff's deputies and officers, jail officers, and jail superintendents
 - The compensation board currently reimburses localities the lesser of either the localities' contribution rate set by VRS or 5.74%
 - Localities that provide enhanced benefits will be reimbursed for the positions listed above the lesser of their localities contribution rate or 7.77% (the average the localities currently in LEOS)
 - Fiscal impact is \$3.8 million GF

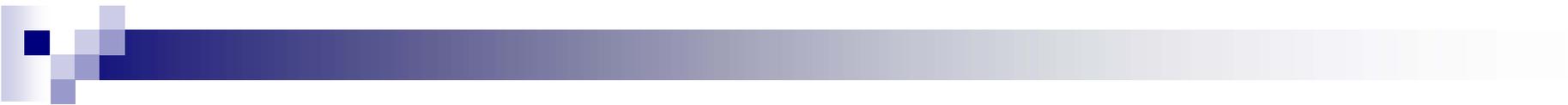


Other Issues

- Savings of \$2.2 million from assuming 8% rate of return on pre-funding VSDP, retiree life insurance and retiree health care credit
- \$150,000 GF to fund the impact of HB 1830 which transitions the deferred compensation plan to an opt-out program
- \$237,096 GF for salary adjustment for Division of Legislative Service Staff



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



Judicial Branch Funding

- Recommendations for Judicial Branch Funding:
 - \$7.5 million GF in FY 2008 for indigent criminal defense pursuant to House Bill 2361
 - \$150,000 and 3 FTEs for data entry to capture data related to indigent defense caps
 - \$767,230 GF for 10 full-time language interpreters in FY 2008
 - \$840,000 GF in savings to the criminal fund from language interpreters
 - \$3.2 million in staffing and salary increases in public defenders offices
 - \$3.5 million in savings for the criminal fund as a result of the increased staffing in the public defenders offices



Proposed Savings

- Revert \$3.0 million in FY 2006 balances for the indigent defense commission
- Revert \$6.7 million in FY 2006 balances within the legislature
- Realize \$300,000 in savings from transferring the staffing of the Crime Commission to DLS
- Reflect \$724,580 in savings in FY 2007 from the delay in salary and staffing actions by the Capitol Police
- Reflect \$454,298 in savings related to a revised estimate for Geospatial rate for VITA



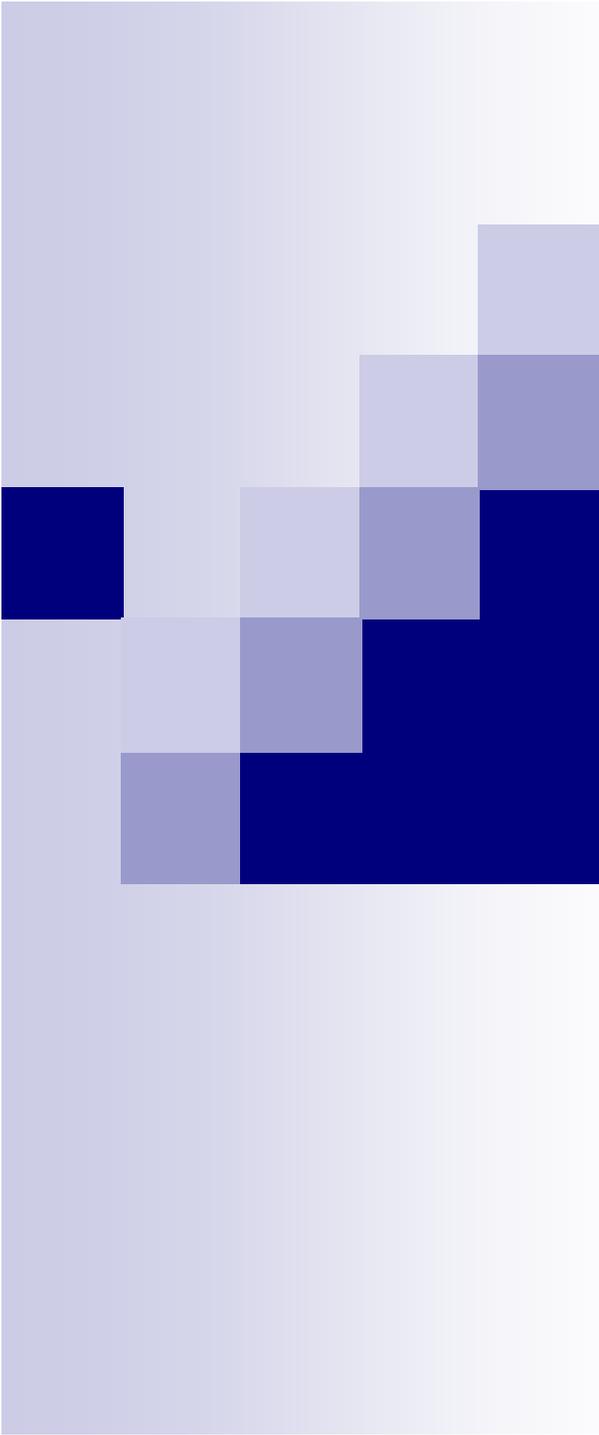
Legislative Funding

- **Civil War Sesquicentennial Commission**
 - \$2.2 million to providing funding Commission and includes funding for the planning of a visitor center and museum facility
- **O&M for Newly Renovated Capitol**
 - \$1.2 million for increased operations and maintenance cost
 - \$404,417 for additional Capitol Improvements
 - \$106,400 and 2 FTEs for additional tour guides
- **Joint Legislative Audit and Review Commission**
 - \$310,000 for costs of study of employee compensation and benefits



Reserve Fund

- Establishes a reserve fund in FY 2008
 - Appropriate \$50 million
 - Funds cannot be released from this fund unless the Governor certifies that the revenue estimate included in HB 1650 as originally submitted is met
 - If conditions are met, \$38.4 million is transferred to SCHEV for the Tuition Moderation Incentive Fund



**Report of the
Higher Education
Subcommittee**



Criteria for Subcommittee's Recommendations

- Address affordability concerns
 - Increase financial aid for undergraduate Virginians
 - Target potential allocations as an incentive for tuition moderation
 - Increase Tuition Assistance Grant (TAG)
- Target funding toward new research opportunities



Address Affordability

- Provides \$9.5 million or about a 10 percent increase for undergraduate student financial aid
 - This is in addition to the 13 percent increase that was provided during the 2006 Session
 - Financial aid program is now about \$105 million annually
- Provides \$2.5 million for Tuition Assistance Grant
 - Brings annual award to \$3,250 for Virginia undergraduate students attending a private college or university
- Provides \$1.0 million for Virginia Military Survivors
 - \$1,500 annual stipend for all eligible students

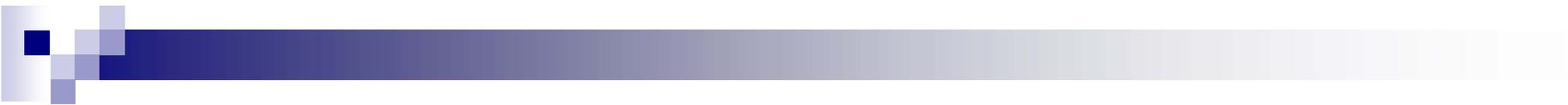


Tuition Moderation Incentive Fund

- \$34.0 million set aside in the revenue reserve
 - Allocations based on in-state enrollment growth beyond levels assumed in the 2006 Session funding calculations and revenue generation assumptions
- Institutions must keep in-state undergraduate tuition and fee increases to no more than 2.25% above the levels needed for state-approved salary increases
- Fund also provides \$4.3 million for an additional one percent salary increase for teaching and research faculty

Tuition Moderation Incentive Fund

Expected T & F			Expected T & F		
Institution	Amount	Increase	Institution	Amount	Increase
CNU	675,000	4.45%	RU	2,930,000	4.25%
CWM	1,340,000	5.15%	UVA	1,900,000	4.85%
GMU	3,200,000	4.25%	UVA-W	150,000	5.25%
JMU	4,200,000	4.25%	VCU	4,010,000	4.45%
LU	420,000	4.45%	VMI	345,000	5.15%
UMW	550,000	5.25%	VT	5,500,000	4.85%
NSU	250,000	4.65%	VSU	1,240,000	5.05%
ODU	1,250,000	3.95%	RBC	80,000	4.25%
			VCCS	6,000,000	4.75%



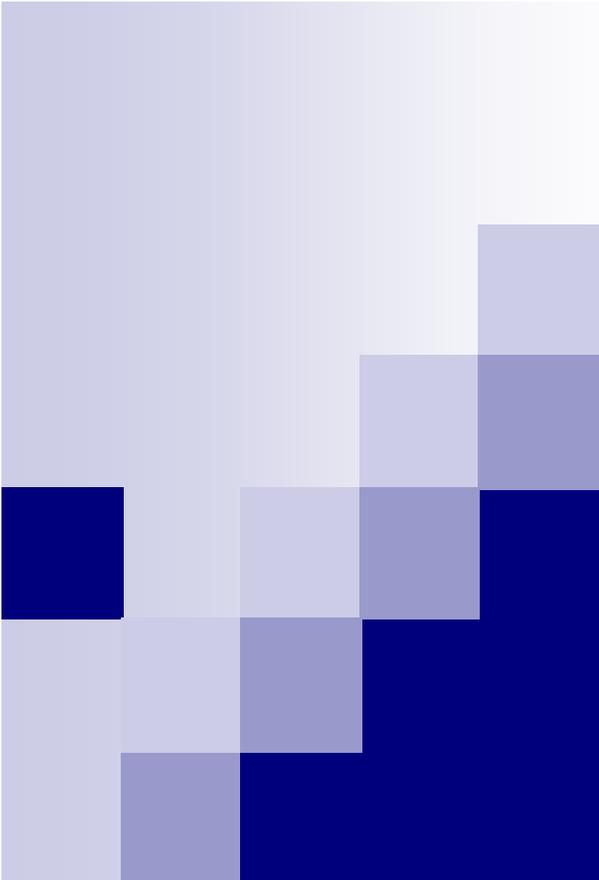
Target New Research

- Virginia Coastal Energy Research Consortium (VCERC)
 - \$2.0 million marine renewable energy
 - Collaboration of five institutions – JMU, NSU, ODU, VIMS, VT
- Cancer research at the University of Virginia - \$1.0 million



Other Major Higher Education Actions

- \$1.8 million to provide nursing salary increases to attract and retain nursing faculty
- \$0.4 million to provide additional extension agents and research specialists throughout the Commonwealth to support extension and education efforts
- \$0.7 million to continue funding commitments from prior year at various institutions



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



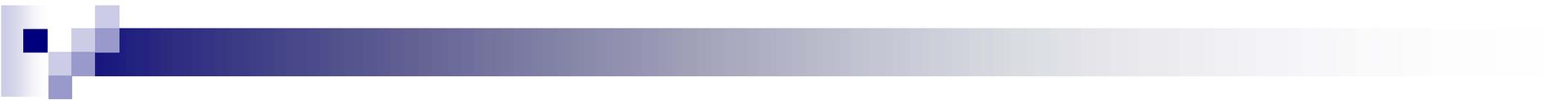
Technical Updates to SOQ

- Reduction in projected student ADM growth from 1 percent growth to less than ½ percent:
\$56.2 million savings
 - FY07: \$20.4 million (5,742 fewer students)
 - FY08: \$35.8 million (8,448 fewer students)
- Revised Lottery forecast reduces estimated payments to school divisions by \$8.0 million each year
 - Total Lottery revenues generally are split 60/40 between funding a portion of SOQ payments and a direct payment to school divisions based on a per pupil amount
 - Total Lottery forecast declined \$20.7 million each year
 - The portion of Lottery revenues not realized for the SOQ payment must be backfilled by general fund revenue: \$12.0 million each year



Virginia Preschool Initiative

- Update Virginia Pre-School Initiative program to reflect lower school division participation: \$4.9 million savings in the first year
- Redirect \$2.0 million of savings from lower participation in the first year to create a reserve for one-time start-up costs or expansion of existing VPI programs for at-risk students
 - Department of Education will provide grants to qualifying school and community-based groups



Teacher Compensation

- Subcommittee recommendations include the state's share of a 3 percent salary increase for all SOQ positions in second year (effective December 1, 2007)
 - \$63.9 million in second year
- These are Incentive-based funds – optional participation
 - Locality determines what salary increase will be provided
 - School divisions provide matching local share of at least same salary adjustment
 - Total increases reflected in future re-benchmarking



Teacher Compensation

- Subcommittee recommends increasing the teachers' retiree health care credit payment of \$2.50 per month to \$4.00 per month for every year of creditable service effective January 1, 2008
 - Based on HB 2370
 - \$5.7 million in FY 2008
- Second, adjust the retiree health care credit and group life rates based on implementation of OPEB: \$4.3 million
- Technical update to transfer savings that reflect rates adopted in Chapter 10 for retiree health care credit and group life rate adjustments from Central Accounts :
 - \$5.8 million adjustment



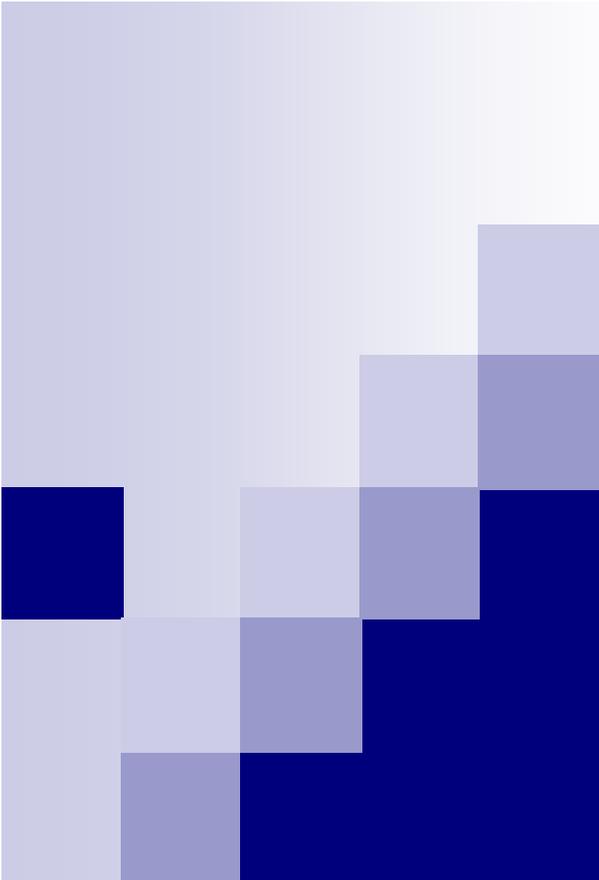
Other Educational Funding

- Recommends adding the last two divisions, Frederick and Winchester, into the cost of competing adjustment to include the adjustment in all localities in the Baltimore/Washington MSA
 - \$1.5 million in FY 2008
 - Aligns funding allocation with six divisions phased-in @ 25 percent

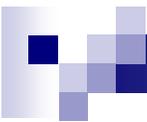


Other Educational Funding

- Reprogram one percent of existing incentive-based funding of \$4.7 million in FY 2008 to:
 - Provide three \$1.0 million competitive grant opportunities for school divisions to establish Academic Programs in Career and Technical Education: \$3.0 million
 - Provide additional funding the career and technical education equipment initiative: \$500,000
 - Establish a Center for Teacher Quality and Educational Leadership: \$500,000
 - One-time funding to five divisions for mathematic specialists no longer funded with federal grant from National Science Foundation: \$300,000
 - One-time funding to Norfolk school division for Project WORD pilot initiative that focuses on male students in high schools who need positive role models and academic remediation in order to complete high school: \$300,000
 - Expand Jobs for Virginia Graduates program to add additional school divisions: \$100,000



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



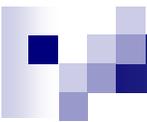
Recommended Spending for Health & Human Resources

- Virginia Health Care Fund revenue shortfall: \$54.8 million GF
- New federal Temporary Assistance to Needy Families (TANF) requirements: \$25.0 million GF
- Impact of federal law and policy changes on children's services, child support enforcement, MHMR licensing and human rights, and aging programs: \$22.9 million GF
- Comprehensive Services Act (CSA): \$11.5 million GF



Recommended Spending on Services for Disabled Individuals

- 330 Mental Retardation (MR) Waiver Slots: \$9.5 million GF and \$9.5 million NGF
- 100 Developmentally Disabled Waiver Slots: \$1.7 million GF and \$1.7 million NGF
- Northern Virginia Waiver Rate Differential of 20%: \$7.8 million GF and \$7.8 million NGF
- MR Waiver Start-up Costs: \$0.6 million GF
- Child psychiatry and child psychology internships at state teaching hospitals: \$0.5 million
- Vocational rehabilitation services waiting list: \$0.6 million GF
- Additional rehabilitation teachers for blind and vision impaired: \$0.3 million GF



Recommended Spending to Increase Access to Care

- **\$14.9 million for provider rate increases**
 - 2% rate increase for Medicaid physician services (total increase for FY 2008 will equal 10% for pediatric services and 5% for all other physician services): \$5.7 million GF and \$6.0 million NGF
 - Additional 1% rate increase for all Medicaid physician services, contingent upon the passage of HB 2034: \$2.3 million GF and \$2.4 million NGF
 - Medicaid rate increase for inpatient psychiatric hospital services: \$3.3 million GF and \$1.6 million NGF
 - 10% foster care and adoption subsidy rate increase: \$3.0 million GF and \$2.0 million NGF
 - Increase Medicaid rate for rural critical access hospitals: \$584,142 GF and \$584,142 NGF

- **\$7.0 million for increased access to health care**
 - FAMIS eligibility for pregnant women from 166% to 175% of the federal poverty level: \$0.7 million GF and \$1.3 million NGF
 - Medicaid high-risk maternity program: \$0.5 million GF and \$0.5 million NGF
 - Grants for medication assistance coordinators: \$0.3 million GF



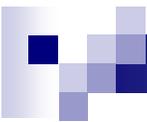
HHR Technology Initiatives

- Language authorizing Treasury loan of up to \$25 million over 4 years for DSS MAPPER Software Program Conversion
- \$4.7 million NGF in FY 2008 for DMHMRSAS pharmacy management system
- \$0.8 million GF in FY 2008 for DSS child day care subsidy payment system
- \$0.5 million GF in FY 2008 for Dept. for the Aging web portal for exchanging client information (“No Wrong Door”)



Other Recommended Spending

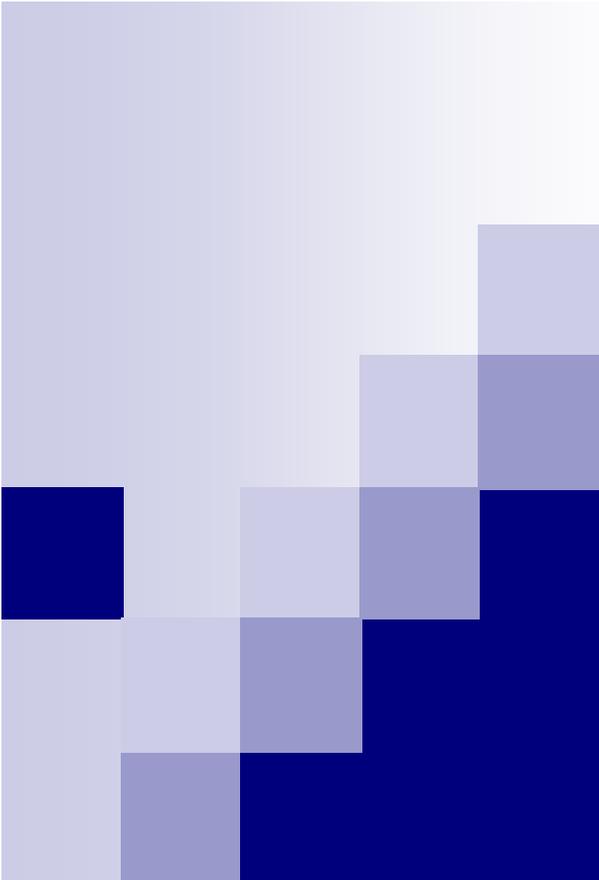
- Human Papillomavirus (HPV) vaccinations for girls entering 6th grade: \$1.4 million GF
- Home-delivered meals for elderly: \$0.7 million GF
- Additional Program for the All-inclusive Care of Elderly (PACE) site in NoVa: \$0.3 million GF
- 3 FTE positions for Office of the Chief Medical Examiner in Norfolk: \$0.2 million GF



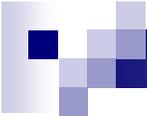
Proposed Savings, Funding Reductions and Elimination of New Initiatives

- **\$36.6 million GF in savings**
 - DMAS – lower estimates of utilization and inflation and MR training center discharges to MR Waiver slots: \$22.8 million GF
 - DMAS – lower estimates of involuntary mental commitments: \$1.0 million GF
 - DMHMRSAS – revised forecast of sexually violent predator commitments: \$1.4 million GF
 - DSS – surpluses in the foster care and adoption subsidy programs: \$10.4 million GF
 - DSS – Adjust TANF forecast for policy changes: \$1.0 million GF

- **Defer new programs and expansions**
 - VDH – Electronic Health Records: \$0.8 million GF
 - VDH – Physician loan repayment program: \$0.3 million GF
 - VDH – Nursing scholarship & loan repayment program: \$0.2 million GF
 - DMAS – Money Follows the Person Demonstration grant: \$0.5 million GF
 - DSS – Voluntary Quality Ratings System: \$2.9 million GF

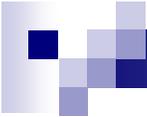


**Report of the
Commerce, Agriculture and
Natural Resources
Subcommittee**



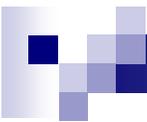
Commerce & Trade, Agriculture & Forestry Spending Items

- The recommended spending items for economic and community development activities include:
 - \$6.5 million for the first installment of funding to attract a research entity to the Valley region
 - Consistent with the provisions of HB 3171 (Landes) which provides a multi-year payout based on attainment of performance measures
 - \$2.0 million each year to supplement the existing appropriation for Enterprise Zone grants
 - Eligible recipients currently receiving pro-rated grants
 - Companion legislation adopted by Committee (Kilgore, HB 2417) tightens eligibility for grants under this program
 - \$2.5 million over the biennium to expand support for indoor plumbing programs at DHCD
 - \$1.0 million for the Russell County technology training development center to expand this growing sector in Southwest Virginia and support other investments in the region



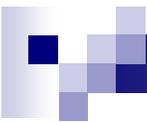
Commerce & Trade, Agriculture & Forestry Spending Items

- The recommended spending items for tourism include:
 - Additional funding to the Virginia Tourism Authority to advertise the 2007 commemoration - \$890,000 in FY 2007 and \$1.4 million in FY 2008
 - \$250,000 in the second year to increase support for existing state welcome centers
- The recommended spending items for agriculture and forestry include:
 - \$5.0 million for the Office of Farmland Preservation which will be transferred from Item 359
 - \$245,000 for Department of Forestry's integrated information technology system
 - \$50,000 for the Secretary of Agriculture and Forestry to address the proliferation of soybean rust



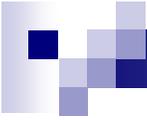
Proposed Funding Reductions and Elimination of New Initiatives

- Eliminate \$5.0 million increase in the Opportunity Fund in the first year
 - Leaves FY 2007 appropriation of \$15.1 million
 - Actual balance available \$18.65 million after anticipated approvals and potential requests (including assumed pay-back of \$2.25 million by Eli Lilly)
- Provide increase of \$1.8 million in the Economic Contingency Fund in FY 2007, eliminate increase of \$2.5 million in FY 2008
- Level fund DBA's Workforce Services Program (eliminate proposed \$2.0 million a year increase)
- Eliminate proposal to provide \$2.0 million for a new initiative for the Housing Partnership Revolving Loan Fund
- No expansion of the regional research initiative to Covington before evaluating the success of the first two research centers (savings of \$330,000 in FY 2008)
- No expansion of funding for the Eastern Shore broadband project (\$1.6 million in FY 2007)
- Eliminate proposed \$1.0 million grant to VASCIC



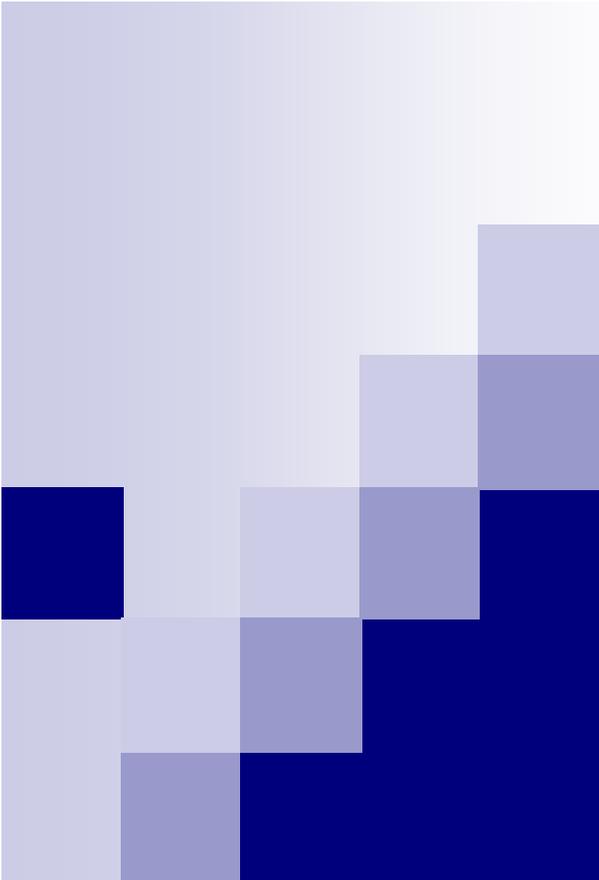
Natural Resources

- Recommended amendments provide a total of \$27.3 million in additional general fund appropriations over the introduced budget
- Major funding item is \$50.0 million in the second year to continue funding grants to localities for upgrading wastewater treatment plants
 - Commitment to upgrading wastewater treatment plant reconfirmed in HB 1710
- Related item is \$3.8 million included for addressing nonpoint source pollution
 - Funding based on FY 2006 year-end revenue surplus
- Other new funding items for the area include:
 - State Park Operating Support – \$1.0 million in the second year to increase operating support and provide 10 positions for Virginia’s state parks
 - Civil War Historic Site Preservation Grants – \$500,000 in the second year to provide grants for the preservation of primarily Civil War battlefields
 - Biosolids Funding Transfer – Transfers \$183,026 GF and \$456,114 NGF and 2 positions from the Department of Health to the Department of Environmental Quality to support oversight of biosolids application
 - Biosolids Nutrient Management Planning – \$173,000 and 2 positions in the second year for the Department of Conservation and Recreation to develop nutrient management plans for agricultural operations prior to the application of biosolids



Redirected Spending

- Land Conservation Funding – captures a total \$14.7 million in the first year
 - \$13.7 million from proposed funding for Virginia Land Conservation Foundation
 - \$1.0 from proposed funding for Virginia Outdoors Foundation (VOF)
 - \$2.5 million each year remains available for VLCF grants
 - 2004 legislation provided a \$1 recordation fee on each deed filed in those localities in which the VOF holds easements. As the number of localities in which the VOF holds easements increases so does the amount of fee revenue collected by VOF
- Combined Sewer Overflow Projects – captures \$9.1 million proposed for combined sewer overflow projects
 - Localities have substantially completed these projects – 75 to 80 percent
 - Cost now for roadway and sidewalk demolition and reconstruction
 - State has committed significant resources to these local issues
- Additional Nonpoint Source Pollution Funding – captures \$3.7 million proposed for nonpoint source pollution control
 - As established in statute, funding for nonpoint source pollution is reliant on deposits to the Water Quality Improvement Fund from revenue surpluses
 - \$3.8 million deposit from FY 2006 surplus appropriated

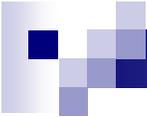


Report of the Public Safety Subcommittee



Public Safety

- Major funding items for the area include:
 - Victim-Witness Programs Support – includes \$2.7 million in the second year to support 102 existing programs
 - Without additional support, 60 programs would be eliminated – potentially 15,140 crime victims would not receive services
 - Charlotte County State Correctional Facility – includes \$1.2 million in the second year to proceed with planning and site selection
 - Location was approved during 2004 Session of the General Assembly
- Other funding items include:
 - Commonwealth Preparedness – provides \$5.5 million in the second year for enhanced local services funding, expansion of emergency network services to Tidewater region, evacuation facility grants, and upgrades to mobile command center and flood warning systems
 - Offender Re-entry Assistance – includes \$2.8 million in the second year for grants to existing non-profit re-entry service providers, transition specialists, juvenile transitional housing, and offender work certifications



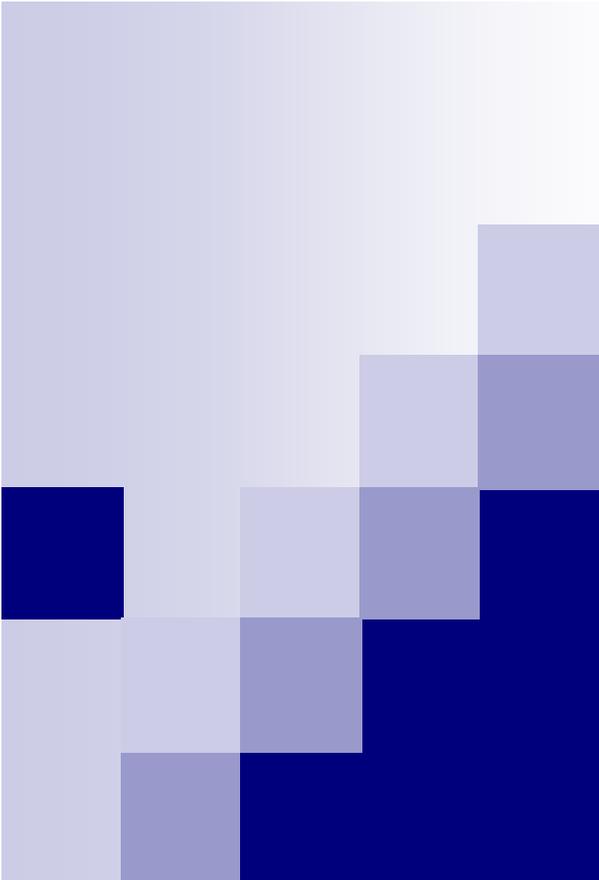
HB 599 Distributions

- Governor's introduced budget included policy change directing 60 percent of any additional funding be distributed under the statutory formula and 40 percent distributed to the 20 localities with the highest crime rates
 - No legislation was submitted to change the statutory formula
- Currently, 176 localities receive HB 599 funds
 - Under the Governor's proposal, 156 of these localities would receive lower payments than provided for by statute
 - All counties and towns would receive smaller amounts than due under statutory formula
 - 20 localities, all cities, with the highest-crime rates would receive more than provided by statute
 - All counties and towns would receive less than amounts than due by statute
 - Change in policy appears directed at one city – Richmond City
 - Richmond City is the only locality significantly affected by the use of the existing statutory formula
- Public Safety Subcommittee's recommended amendments include maintaining the current statutory formula for the distribution of HB 599 funds



Redirected Spending

- Evacuation Facility Grant Program – captures \$1.5 million
 - \$2.0 million remains available for installing generator hook-ups, supply shelving, and other pre-event measures
- Local Re-entry Councils – saves \$792,000 by eliminating new councils
 - Funding continued for existing non-profit service organizations
- VASAVOR Grant Program – captures \$579,900 by not picking-up federal grant
 - Previously supported by federal grants and served only two localities
 - Language in budget document indicated funding being provided on “pilot” basis
- ReadyVirginia! Preparedness Campaign and Citizen Survey – saves \$370,000
 - \$350,000 remains for public service ads on public television and radio
- Expansion of Citizen Weather Alert Network – captures \$250,000
 - Television, radio, and newspapers serve a similar function
 - Funding for alerting special needs populations maintained
- Eliminate funding for additional juvenile corrections officers – saves \$930,267
 - Forecast indicates both juvenile correctional center population and juvenile detention populations declining



Report of the Capital Outlay Subcommittee



Criteria for the Subcommittee's Recommendations

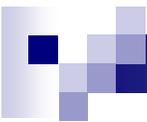
- Address HAC Priorities
- Follow state policy and practice with regard to appropriate fund source
- Fund prior commitments
 - Cost overruns
 - Equipment
 - Projects with previously-approved planning
- Keep amount of recommended debt projects to no more than the introduced budget



Cost Overruns and Equipment

- **Project Cost Overruns - \$128.9 million**
 - Fund overruns on projects originally financed in bond package through VCBA
 - \$80.5 million included in House Bill 1712
 - 90 percent of all overruns are in higher education

- **Equipment**
 - \$46.3 million to equip projects scheduled to open in the upcoming biennium



Construction and Renovations (HB 1712)

- Address high priority projects - \$168.8 million
 - CWM School of Education - \$42.0 million
 - UVA IT Engineering - \$36.0 million
 - No. Va. CC Manassas Campus - \$23.0 million
 - ODU Fine Arts - \$18.0 million
 - Longwood Bedford Hall - \$15.3 million
 - NSU Brooks Library - \$15.0 million
 - UMW Graduate Center - \$12.0 million
 - State Parks - \$7.5 million



Other High Priority Projects

- \$5.0 million for Belmont Bay Science Center
 - Approved in the 2002 GO Bond Package
- \$7.6 million to address critical repairs on Capitol Square
 - Includes \$4.5 million for State Capitol overrun
- \$1.6 million to acquire Brumley Tract