



House Appropriations Committee

**Recommended Amendments to the
2008-2010 Budget
(House Bill 1600)
February 11, 2009**



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



Health and Human Resources

- Provides 400 MR waivers at a cost of \$9.3 million GF and \$9.3 million in matching federal Medicaid funds
 - Restores 200 MR waivers beginning July 1, 2009 that were eliminated in the introduced budget
 - Adds 200 MR waivers beginning January 1, 2010
- Additional funding will decrease the urgent care waiting list by 18% in FY 2010
 - As of January 8, 2009, there were 2,252 individuals on the urgent care waiting list
- Action is consistent with the House budget passed during the 2008 Session when 800 new MR waiver slots were provided for the 2008-10 biennium



Health and Human Resources

- Medicaid Funding
 - Provides \$268.4 million GF for Medicaid enrollment and utilization
 - Restores \$154.9 million GF for the Medicaid program
 - Introduced budget had reduced the general fund for Medicaid and replaced it with a proposed increase in the cigarette tax increase
 - Provides \$6.8 million GF to offset declines Virginia Health Care Fund revenues in FY 2009
- Partially restores \$4.1 million GF and \$4.1 million in federal matching funds to nursing homes
 - Nursing homes will see an increase of 1.0 percent on average in their operating payments in the Medicaid program compared to the introduced budget
- Provides \$1.5 million to address the waiting list for early intervention services for children with developmental delays, including those with autism or autism spectrum disorders
- Provides \$215,000 in FY 2010 and 2 positions to oversee and coordinate Autism and developmental disability services in DMHMRSAS



MHMR Facility Recommendations

- Restores funding to continue operating the Southeastern Virginia Training Center (SEVTC)
 - Restores \$12.5 million in operating funds
 - Adds back \$8.3 million GF
 - Transfers \$4.1 million from MR waivers back to SEVTC
 - Capital budget includes funding to rebuild SEVTC as a 75-bed facility and to build community housing for individuals who would be transitioned to the community
- Language directs the Commissioner of DMHMRSAS to work with the Department of General Services and a state and community planning team to plan for:
 - Construction of SEVTC and community housing
 - Appropriate transition of 88 individuals to community facilities
- Language also:
 - Requires state agencies to fast track licensing and certification of community facilities
 - Allows transitioning to begin in FY 2010 if individual assessments and plans of care are complete and appropriate community facilities exist to meet the needs of residents in the community
 - Requires regularly scheduled reporting by the Commissioner



MHMR Facility Recommendations

- Restores funding to continue operating the Commonwealth Center for Children and Adolescents (CCCA)
 - Restores a total of \$8.3 million in operating funds
 - Adds back \$6.2 million GF
 - Restores \$2.1 million GF which was earmarked in the introduced budget for community treatment of uninsured children served by the CCCA
- Language directs the Commissioner of DMHMRSAS to convene a work group to:
 - Examine the current and future role of the Commonwealth and private sector in providing acute psychiatric services for children and adolescents
 - Assess how best to maintain a safety net of services
 - Report recommendations by November 1, 2009



Other HHR Spending Actions

- Funding for Other Mandatory programs
 - \$11.7 million GF for enrollment and utilization growth in the children's health insurance programs
 - \$2.4 million GF for adoption subsidy caseload and cost increases
 - \$1.8 million GF for involuntary mental commitments

- Other spending actions
 - \$1.7 million GF in FY 2010 for a small increase in Medicaid rates for personal care for Medicaid waiver recipients
 - \$1.0 million GF in FY 2009 for Virginia Food Banks
 - \$455,083 GF over the biennium to add 6 death investigators within district offices of the Office of the Chief Medical Examiner



Additional Savings Actions

- \$6.0 million GF in FY 2010 by recognizing the flow-through of Medicaid reductions from changing provider payment schedules in FY 2009
- \$1.0 million GF in FY 2009 in the Comprehensive Services Act program from projected savings in utilization of services
- \$2.0 million from nongeneral fund balances in the Health Department



Report of the Higher Education Subcommittee



Criteria for Higher Education Recommendations

- Address affordability concerns
 - Provide \$41.0 million to address the cost issues identified by higher education institutions in order to mitigate possible tuition and fee increases on in-state undergraduate students
 - Does not impose tuition caps
- Address access concerns
 - Provide \$12.5 million for new in-state enrollment growth
 - Establish an out-of-state enrollment policy
 - Institutions in excess of 30 percent out-of-state students will be required to reserve at least 70 percent of future undergraduate enrollment growth for in-state students
 - Institutions will be required to reserve 80 percent of transfer slots for in-state students



GF Allocations to Colleges and Universities

House Access and Affordability Fund

Institution	Amount	Institution	Amount
CNU	1,485,408	RU	1,907,410
CWM	672,527	UVA	2,556,245
GMU	4,003,362	UVA-W	836,538
JMU	2,108,241	VCU	4,337,715
LU	2,438,528	VMI	376,109
UMW	599,640	VT	2,424,807
NSU	2,868,673	VSU	2,519,731
ODU	5,966,198	RBC	97,349
		VCCS	18,322,969



Other Higher Education

- Restore budget reductions at higher education centers
 - Institute for Advanced Learning & Research: \$240,000
 - Roanoke Higher Education Center: \$60,000
 - Southern Va Higher Education Ctr: \$208,708
 - Southwest Va Higher Education Ctr: \$80,000

- Restore budget reductions at SCHEV
 - TAG graduate grants targeted to health professions
 - Optometry Grants: \$32,000 but must serve in VA
 - SCHEV operations & restructuring efforts: \$225,000
 - Restore VAST Scholarships: \$75,000



Report of the Capital Outlay Subcommittee



Higher Education Capital

- Provide \$12.2 million to advance five higher education projects to full planning
- Projects have a construction value of about \$230.0 million
 - CNU - Luter School of Business
 - CWM – Integrated Science Center III
 - JMU – Duke Hall
 - UVA – Ruffner Hall
 - VT – Engineering Signature Building
- By advancing the projects to detailed planning, the Commonwealth will speed up construction of these facilities by 12 months and be able to take advantage of a very competitive construction market



Training Centers

■ Southeastern Virginia

- Rebuild and resize SEVTC for 75 beds to serve profound and severely disabled
- Restore \$23.8 million to renovate or rebuild 75-bed facility
- Provide community housing to transition 88 disabled individuals to Intermediate Care Facilities for the Mentally Retarded (ICF-MRs)
 - Assume building 12 community facilities
 - Cost of about \$2.7 million
 - Use part of authorized amount allocated for CVTC community housing
 - Recommend DGS oversee projects to obtain cost efficiency
- Language added to fast track construction
- Language on potential land use

■ Central Virginia

- \$24.5 million to renovate and repair facility
- \$15.8 million available to develop community-based homes



**Report of the Economic
Development, Agriculture
and Natural Resources
Subcommittee**



Commerce and Trade

- Subcommittee tried to maintain funding for economic development agencies in these recessionary times to ensure continued growth of Virginia's economy
- Provides \$3.0 million to provide additional funding to promote Virginia's tourism industry, providing immediate stimulus to Virginia's economy
 - Includes \$1.0 million for advertising in the key DC market, \$800,000 for electronic marketing, \$500,000 for micro-tourism grants and \$700,000 for film incentives
- Restores \$500,000 in the second year to ensure the Virginia Economic Development Partnership can effectively market the Commonwealth as the best place to do business
- Includes \$1.5 million in additional funding for the Virginia Jobs Investment Program at the Department of Business Assistance to support new business expansion announcements
- To finance these investments, offsetting reductions include:
 - The return of \$1.0 million in unused incentive funding from Pulaski IDA to the general fund
 - Savings of \$537,030 at the Department of Labor and Industry to more closely reflect reduction levels faced by other agencies (7%)
 - The elimination of \$2.0 million from DMME for a new incentive grant program
 - The removal of \$1.2 million from economic contingency in the second year in light of balances in that fund



Natural Resources

- New spending includes:
 - \$20 million in the second year for the Natural Resources Commitment Fund to implement agricultural best management practices, including:
 - \$10.0 million from the general fund
 - \$4.8 million in interest from prior WQIF deposits for nonpoint source pollution control
 - \$5.2 million from the WQIF Reserve Fund (deletes DCR's portion of fund)



**Report of the Technology,
Oversight, & Government
Activities Subcommittee**



Technology and Government Oversight Initiatives

■ Technology

- Captured \$1.5 million in year-end balances from the Productivity Investment Fund
- Reduced FY 2010 appropriation for Productivity Investment Fund by \$450,000
- Included language restructuring the working relationships between VITA, the Virginia Enterprise Applications Program, and the Information Technology Investment Board

■ Federal Stimulus Funding

- Amends language in Part 4 of the budget to require a specific appropriation by the General Assembly for any federal stimulus funding received



Retailer Compensation

- Governor's budget assumed \$64.3 million in FY 2010 (and each year thereafter) from eliminating the compensation provided retailers for the collection and processing of sales tax revenues
 - Proposal also impacted administrative fees retained by those who collect gasoline taxes, cigarette stamp taxes and telecommunications tax
 - Retailers opposed this proposal, with the loudest complaints coming from the smaller establishments that remit manually
 - Budget amendment restricts any change to retailers who collect sales tax and dramatically narrows the scope of the proposal
- Committee proposal would authorize each retailer to be compensated up to \$800 a month for sales tax collection
 - \$800 cap would reduce payments to only 1,194 of 143,500 retailers in the Commonwealth, with the remaining retailers unaffected
 - This would generate \$26.1 million in FY 2010 – a loss of \$38.2 million compared to the Governor's proposal



Bi-Monthly Sales Tax Remittance

- To account for the revenue lost by eliminating the Governor's dealer discount proposal, the Committee recommends implementing a bi-monthly remittance of sales tax for the largest retailers
 - Under this proposal, sales taxes collected from the 1st to the 15th of any given month would be remitted by the 25th of that month
 - Revenues collected in the second half of the month would continue to be paid on the 20th of the following month
 - This does not result in ANY acceleration or pre-payment of sales tax
 - According to the Department of Taxation, if this proposal applied only to the 550 retailers with annual sales of \$20 million or more, this would generate \$85.8 million in additional funds in FY 2010
 - Proposal would be implemented on June 1, 2010 to allow time to inform impacted retailers of the change and allow Tax to make system adjustments
- In combination, these two proposals would generate a net of \$47.6 million when compared to the Governor's proposals



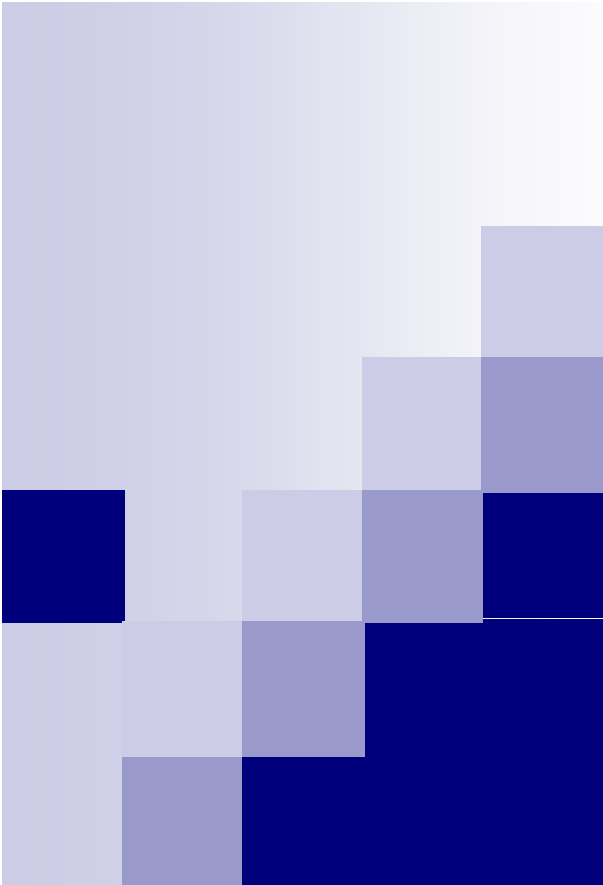
Other Resource Adjustments

■ Tax Amnesty

- Subcommittee recommends budget language authorizing the Department of Taxation to implement a 60 to 75-day tax amnesty program in FY 2010
- This is estimated to generate a net of \$36.3 million GF
- Senate has adopted an identical proposal through Senator Colgan's SB 1120
- Terms of program include:
 - All penalties and 50% of interest would be waived upon payment
 - At end of Amnesty, unpaid bills would be assessed an additional 20% penalty
 - These two provisions mirror those of the 2003 program
- Virginia's 2 prior tax amnesty programs were held in 1990 and 2003
 - In 1990 Tax collected \$32.2 million from 27,000 delinquent accounts
 - In 2003 collections were \$94.9 million from 95,000 delinquent payors
- Six other states are planning on implementing amnesty programs in 2008 or 2009 with assumed revenues of \$20 to \$82 million

■ Revenue Reserve

- In combination, these resource actions help generate a \$65.0 million revenue reserve included in the first year to help offset further reductions in the general fund revenue forecast
- These funds fall to the bottom line and are not appropriated for any activity



Report of the Elementary and Secondary Education Subcommittee



Public Education

- The Committee's recommendations to the amended 2008-2010 budget for Direct Aid to Public Education provides \$10.9 billion GF and \$2.9 billion NGF
 - Technical update for Sales Tax revenues equal a net of \$5.8 million GF savings over the biennium
 - Reflect Governor's executive amendment to update the Virginia Preschool School program for nonparticipation estimates: \$11.9 million GF savings in FY 2010
 - Restore funding for educational service costs to the Commonwealth Center for Children and Adolescents: \$1.2 million GF in FY 2010



Enhanced Flexibility

- The Committee's recommendations include a number of language amendments that are designed to provide school divisions with additional flexibility:
 - Provides a waiver in the second year for the local funding match requirement for all programs within the Lottery Proceeds Fund, and VPSA technology grants
 - Allows school divisions to use textbook allocations for other educational expenses and waives the local funding match requirement
 - Allows school divisions to carryover balances into the next year to help offset possible reductions and encourage localities to allocate funding to school boards in a lump sum rather than by categories
 - Encourages school divisions to apply for Medicaid reimbursement for eligible special education expenditures that would free up local dollars for educational services



Enhanced Retirement Option for School Board Employees



Enhanced Retirement Proposal

- The Workforce Transition Act (WTA) provides a severance package to laid-off state employees. Under law, the state may purchase on behalf of certain employees (over age 50) additional service credit
 - Amount of purchased service depends on the value of their severance package
- The Committee's budget language would allow school divisions to elect to participate in an Enhanced Teacher Retirement Program to encourage school employees to voluntarily retire through the purchase of VRS service credit
 - The plan is designed to provide school divisions with another tool for managing personnel actions which may lessen the need to lay-off younger personnel



Eligibility and Benefits

- Provides school boards with two windows of participation:
 - 2009 Program
 - 2010 Program
 - May participate in either year or both

- Eligibility for employee age 50 or older and with 25 years or more of creditable VRS service
 - Currently, over 18,000 school employees eligible
 - Voluntary participation
 - School superintendents would not be eligible



Eligibility and Benefits

- Enhanced Benefit: School divisions may choose to purchase up to 5 years of additional service credit
 - School divisions would notify VRS at time of participation in the program the number of years of VRS service they would offer to eligible employees
 - Number of years purchased would apply to all eligible employees
- Eligibility Restrictions: School Boards will be given authority to establish their own individual eligibility restrictions based on specific business needs.
 - Legal Counsel should be sought in developing such additional restrictions
 - For example: teacher shortage areas – math, science



Effective Date of Retirement

- Employees would make election no later than:
 - June 1, 2009, with an effective date of retirement between July 1, 2009 and June 30, 2010, or
 - June 1, 2010, with an effective date of retirement between July 1, 2010 and June 30, 2011
- Employees that elect to participate, but subsequently return to a VRS covered position would forfeit the additional service credits when they re-retire later
- Participating employees would sign a waiver of liability for participating in the enhanced retirement program
 - Shields the school board from any discrimination claims



Cost and Repayment Provisions

- Each participating school division would be responsible for the cost of the enhanced retirement program
- Cost would be 20% of current annual salary for each year of service purchased by the school division on behalf of each eligible employee
- School boards could elect to repay the VRS in a lump sum payment or over 5 years
 - No interest applied to repayment
- Any remaining unfunded liability would accrue to the Teacher Retirement Fund and be reflected in future rates



Report of the General Government Subcommittee



Legislative Branch

■ Spending Actions

- \$1.7 million GF is included in Central Appropriations for increased payments to the Department of General Services for the maintenance and operation of the Capitol and the GAB

■ Savings Actions

- Actions within the legislature result in savings of \$7.1 million GF
 - Capitol Police - \$1.5 million in vacancy savings
 - House of Delegates – Reversion of \$1.1 million in balances
 - Legislative Agencies – Reversion of \$4.3 million in balances



Judicial Branch

■ Spending Actions

- Includes \$10.8 million GF in additional funding for the Criminal Fund (\$5.4 million each year)
- Includes \$1.2 million GF in additional funding for the Involuntary Mental Commitment Fund (\$610,076 each year)

■ Savings Actions

- Judicial budget reduction plan includes \$8.0 million in GF savings
- \$2.9 million from eliminating state funding for drug courts
- \$2.0 million GF from capping funding for waivers for court appointed counsel at \$4.2 million in FY 2010
- \$508,000 GF in FY 2010 from eliminating funding for the judicial performance evaluation program



Constitutional Officers

- Subcommittee recommends increases of \$11.7 million to partially restore across the board reductions for constitutional officers
- Limits across-the-board reduction for Treasurers, Commissioners of Revenue, Clerks of the Circuit Court, Commonwealth Attorneys, and Sheriffs to 5%
 - Commissioners of Revenue - \$535,750 GF (Governor's budget proposed 10% reduction)
 - Treasurers - \$529,667 GF (Governor's budget proposed 10% reduction)
 - Circuit Court Clerks - \$1.4 million GF (Governor's budget proposed 10% reduction)
 - Commonwealth Attorneys - \$1.0 million GF (Governor's budget proposed 7% reduction)
 - Sheriffs - \$8.3 million GF (Governor's budget proposed 7% reduction)



Other General Government Issues

- Other Subcommittee recommendations include:
 - \$4.0 million reduction in public broadcasting grants
 - \$1.0 million in savings through reduced printing expenditures across state agencies
 - Maintains the Department of Employment Dispute Resolution as a separate agency
 - Governor's budget merged the DEDR into the Department of Human Resources Management



Report of the Compensation and Retirement Subcommittee



Employee Health Insurance Program

- The subcommittee recommends no increase in employer or employee premiums
- Recommends eliminating several cost sharing increases included in the Governor's budget and mitigating by half proposed increases in co-payments
- Recommendation assumes some of the program growth is absorbed through additional excess balances in the Health Insurance Fund
 - Balances in the fund have continued to increase over the last year despite the FY 2009 rates being lowered due to balances in the HIF
- The subcommittee does not propose an increase in the premiums for pre-Medicare retirees

Employee Health Insurance

Health Insurance Plan Cost Sharing Changes (COVA CARE)

	Current Plan	Governor's Proposal	HAC Proposal
Co-Pay Pharmacy – Tier 2	\$20	\$30	\$25
Co-Pay Pharmacy – Tier 3	\$35	\$45	\$40
Co-Pay Pharmacy – Tier 4	N/A	\$60	\$50
Co-Pay for Specialist (excluding PT)	\$35	\$45	\$40
Co-Pay for Behavioral Health	\$35	\$25	\$25
Co-pay for Inpatient Admission	\$300	\$400	\$300
Co-pay for Outpatient Facility	\$100	\$150	\$100
Annual Deductible (1 Person/2 or More)	\$200/\$400	\$250/\$500	\$200/\$400
Annual Out of Pocket Maximum	\$1,500/\$3,000	\$1,750/\$3,500	\$1,500,\$3000
Co-insurance for Other Services (i.e. Lab, shots, x-rays)	10%	20%	10%



Employee Health Insurance Program

- Proposed benefit plan changes include:
 - Slightly higher co-pay for Non-Sedating Antihistamines
 - Governor's budget eliminated coverage for non-sedating antihistamines
 - Elimination of coverage for surgery for morbid obesity
 - Expanded usage of the preferred drug step therapy program (PDST)
 - Two drug classes are included in PDST program
 - Two drug classes are scheduled for inclusion in the program April 1st; Intranasal Steroids (allergy) and Triptans (migraine)
 - Language is included to expand the program to include additional drug classes in FY 2010
 - Expansion will not include anti-depressants or anti-psychotics
- Subcommittee rejected proposal in the Governor's budget to mandate the purchase of maintenance drugs through mail-order pharmacies



VSDP Long-Term Care Benefit

- Governor's budget eliminated the long-term care (LTC) benefit from the Virginia Sickness and Disability Program (VSDP)
- Benefit assists in paying for nursing home care, assisted living facility care, hospice care or community based care
- Provides a maximum daily benefit of \$96 (with a lifetime maximum of \$70,080)
- Subcommittee recommends funding of \$4.8 million to restore the LTC benefit within the VSDP



VSDP Program

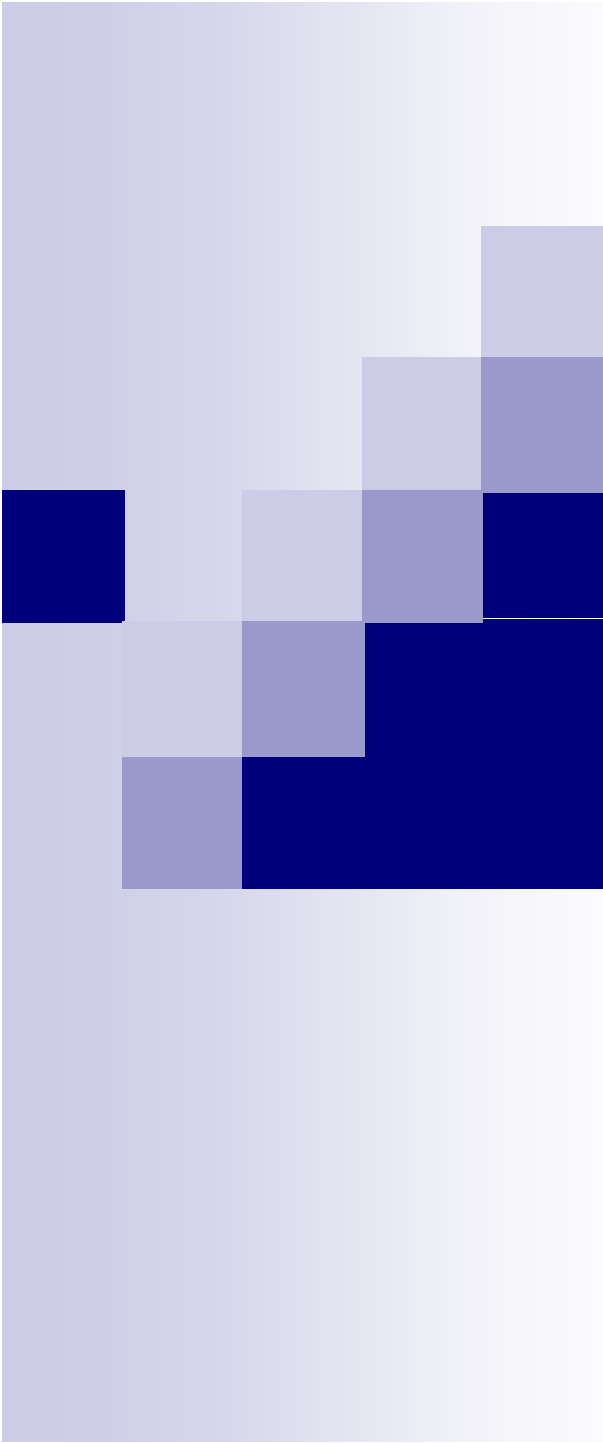
- Savings within the VSDP of \$1.6 million from three actions to help offset cost of restoration:
 - Employees must have 12 months of service before being eligible for the short-term (ST) disability benefit
 - In the first 5 years of service all ST disability payments are capped at 60% of salary
 - Lengthens the period of time that an individual must return to work prior to qualifying for ST disability for a second time from 14 days to 45 days



Other Amendments

- Language amendment creates a Legislative Commission to review the recommendations of the JLARC study of State Employee Compensation
 - 6 members of the House and 4 members of the Senate
 - Shall submit recommendations by the first day of the 2010 General Assembly session

- Provides 4 additional FTEs within the VRS
 - Converts part time positions to full time positions in the call center
 - Call center has experienced a significant increase in call volume in recent years
 - Additional call volume has occurred recently due to the teacher-early retirement proposal



Report of the Public Safety Subcommittee



Public Safety Spending

- Includes \$8.3 million to reduce the Governor's proposed reductions to sheriffs' offices and local and regional jail operations from 7 percent to 5 percent
- Provides \$1.0 million for the Internet Crimes Against Children task forces
 - \$500,000 is provided for both the Southern Virginia and Northern Virginia task forces
- Provides \$1.0 million GF restoration for med-flight services
 - Reduces transfer from \$4.25 for Life for rescue squads
- Authorizes construction of the Meherrin River Regional Jail and the reimbursement of the Commonwealth's full share of the Western Virginia Regional Jail's construction costs
- Includes \$50,000 to restore the Governor's reduction in funding for an automated system to prepare veterans' disability claims
 - Language also permits the Department of Veterans Services to further develop this automated system using federal or other nongeneral fund funds



Public Safety Language

- Strikes language allowing non-violent offenders to be released up to 90 days earlier from prison
- Includes language establishing a joint subcommittee of the House Appropriations and Senate Finance Committees to review the Commonwealth's policies regarding the oversight, approval, and financing of local and regional jail construction and operating costs



Report of the Transportation Subcommittee



Transportation

- There are no dollar amendments within the Transportation agencies
 - Although agencies reflect substantial reductions based on reduced NGF revenue growth, unlike prior recessions there are no transfers of transportation revenues to the general fund
- Only amendments provide direction and specificity to how VDOT and DRPT will implement the \$670 million nongeneral fund revenue reductions
 - Includes requirements of quarterly reports to the Committee as well as outlining the general blue print for the distribution of reductions
 - Also includes language at DRPT authorizing the shift of a portion of transit capital funding to cover operating assistance reductions in FY 2010