

2012 SESSION

Budget Overview
Amendments to FY 2010-12 Budget
Proposed FY 2012-2014 Budget

January 12, 2012

Economic Assumptions in HB 29/30

- Governor's budget is based on Global Insight's November economic outlook
- Growth rates are based on the Global Insight Standard Forecast which assumes continued sluggish growth and national and international uncertainty

	FY 2012		FY 2013		FY 2014	
	VA	Nat'l	VA	Nat'l	VA	Nat'l
Employment	1.2%	0.9%	1.0%	1.0%	1.8%	1.8%
Personal Income	3.9%	3.6%	3.5%	3.4%	4.0%	4.3%
Avg Wages/Salaries	2.1%	2.3%	2.6%	2.3%	2.4%	2.8%
Wages/Salaries	3.3%	3.3%	3.7%	3.3%	4.2%	4.6%

- Assumes no double-dip recession, but continued modest expansion resulting in a low growth forecast
 - Housing market continues to struggle, job and salary growth improve slowly
 - Anticipated federal spending cuts will impact Virginia due to the large military presence in Virginia and our heavy reliance on federal procurement spending
 - Rather than outperforming the nation, as is the norm for Virginia, growth over the next two years should be similar to that of the nation

FY 2012: Impact of the FY 2011 Surplus

- General fund revenue growth gradually increased throughout fiscal year 2011 and by year end, total revenues rose 5.8% compared to a forecast of 3.5% growth
- FY 2011 general fund revenue collections exceeded the forecast by \$321.7 million, a variance of 2.2%
 - In addition, there also was an unexpended appropriation balance of \$170.5 million
- The FY 2011 excess collections ripple through to the FY 2012 base and then are adjusted for the new growth rates
- FY 2012 revenues would only have to grow 3.7% in order to meet the revenue assumptions in Chapter 890

December 2011 Forecast

- The Joint Advisory Board of Economists and the Governor's Advisory Council on Revenue Estimates met this fall to review the economic assumptions driving the current year's revenue forecast
- The macroeconomic model from Global Insight reflected a more tepid recovery than had been assumed when Chapter 890 was adopted last Spring
- The two groups advised the adoption of a modified version of the "standard" forecast that already assumed slow growth
- However, even though the core economic assumptions were lowered, because of the FY 2011 surplus's impact on the base, the result is a increase in revenues of \$191.8 million

FY 2012: Where Do We Stand Year-To-Date?

- The December revisions to the forecast assume economic-based revenue growth of 4.6% in FY 2012 compared to the adjusted prior year base
 - Accounting for the proposed continued phase-out of accelerated sales tax collections, the new policy-adjusted forecast is 4.7%
- Through November, revenue collections are 6.6% above FY 2011
 - However, adjusting for an extra payroll withholding day in November, year to date growth is about 5.6%
- January is a key month for revenue collections:
 - Sales taxes for early part of Christmas season are remitted in January
 - January 15: Due date for the fourth quarter individual estimated income tax payments

General Fund Revenue Forecast for Fiscal Year 2012

Major Source	Source as a % of Total Revenues	Chapter 890 Official Forecast	Y-T-D Performance Through Nov	December Forecast
Withholding	63.9	3.4%	5.4%	3.8%
Nonwithholding	14.3	2.1%	15.7%	12.6%
Refunds	(11.9)	-0.9%	-15.1%	3.0%
Net Individual	66.2	3.9%	7.7%	5.9%
Sales	20.0	3.4%	5.4%	1.8%
Corporate	5.3	1.1%	-0.7%	0.7%
Wills (Recordation)	1.9	3.3%	2.4%	10.8%
Insurance	1.9	2.9%	0.0%	2.0%
All Other Revenue	4.7	5.8%	2.6%	0.2%
Total GF Revenues	100.0	3.7%	6.6%	4.6%

Note: This reflects the total GF revenue forecast and includes proposed changes to accelerated sales tax program as well as other revenue and transfer changes reflected in HB 29.

HOUSE BILL 29

FY 2012: Revenue Forecast Reflects FY 2011 Surplus Offset by Reduced Economic Growth

- The revenue forecast revisions total \$191.8 million and are offset by proposed tax policy changes reducing revenues by \$68.8 million. Technical adjustments further reduce assumed resources by \$39.7 million, resulting in net additional revenues of \$83.0 million
- The largest item is the proposal to expedite the phase-out of the accelerated sales tax by raising the cap on retailers to which it applies to those with \$26.0 million in annual sales
 - This results in a one-time revenue reduction of \$50.0 million in FY 2012
- Also assumed among the revenue changes in HB 29 is a net reduction of \$18.8 million related to sale of state properties
 - Largest impact related to delay in assumed sale of Brunswick prison to FY 2014

HB 29 Spending and Savings Proposals

- Additional new spending for FY 2012 totals \$145.9 million
 - This includes 32 separate increases, although the 10 largest comprise more than 93% of the costs, including:
 - \$67.2 million to transportation, reflecting its 2/3 share of the unencumbered FY 2011 surplus
 - \$30.0 million for the proposed Federal Action Contingency Trust (FACT) Fund
 - \$10.0 million to eliminate a reduction to higher education
- Savings identified in HB 29 total \$303.8 million
 - This includes 20 separate savings items, most of which are technical reductions or reflect downward forecast adjustments, including:
 - \$114.0 million by removing the appropriation set-aside for the Rainy Day Fund deposit in FY 2013
 - \$85.4 million to reflect revisions to the Medicaid utilization and inflation forecast
 - \$32.6 million to reflect updates to the Lottery proceeds for public education
 - \$24.8 million to reflect CSA caseload and utilization forecast reduction

HB 29 – Budgetary Adjustments in FY 2012

	(\$ in millions)
Revised Resources	
Prior Year Balance	\$ 841.2
Additions to Balance	(43.6)
Revenue Forecast (Offset by Policy Adjustments)	15,626.6
Transfers	420.9
Total GF Resources in HB 29 as Proposed	\$16,945.0
Appropriations	
Chapter 890 FY 2012 Base	\$16,556.9
Net Adjustment to Appropriations	(157.8)
Total FY 12 Appropriations in HB 29 as Proposed	\$16,399.1
Unappropriated Balance to Be Carried Forward into 2012-14 Biennium	\$ 546.0

Major Elements of FY 2012 Carry-Forward

- Major items comprising the FY 2012 carry-forward balance are outlined on the table below
- Of the total, almost \$350.0 million represent amounts already required in FY 2013 and FY 2014 – the Rainy Day Fund and WQIF deposits
- That leaves approximately \$200 million of the total to support spending in the upcoming biennium
- The revenue adjustments flow forward into the base while the budgetary savings in large part reflect forecast adjustments in areas like Medicaid and K-12

Major Sources of Carry-Forward Balance	
Amount Appropriated in Chapter 890 as Deposit for Assumed Rainy Day Fund Deposit based on FY 2012 Growth (FY 2014 appropriation)	\$114,000,000
Remaining amount required for Assumed Rainy Day Fund Deposit based on FY 2012 Growth (FY 2014 appropriation)	\$53,100,000
Mandatory RDF Deposit for FY 2013 (from FY 2011 revenue surplus)	\$132,700,000
WQIF Parts A and B for FY 2013 (from FY 2011 revenue surplus)	\$50,300,000
Net New Revenues (December Forecast Adjustments)	\$83,300,000
Budgetary Savings (not total savings, remainder offsets spending)	\$112,600,000

HOUSE BILL 30

FY 2012-2014 Biennial Forecast

- The overall GF growth rates for 2012–2014 assume:
 - FY 2013: 3.3% (3.4% without tax policy adjustments)
 - FY 2014: 4.5% (4.4% without tax policy adjustments)
- Both years' rates are slightly behind last year's official forecast of 3.8% and 4.7% for these two years
 - Reflects slowed forecast for national growth as well as the concerns regarding the impact of potential federal reductions on Virginia
 - For comparison, Virginia's long-term average annual growth has been in the 6.0% - 6.5% range

GF Forecast: Fiscal Years 2013 & 2014

Source	FY 2013 Forecast	FY 2013 % Growth	FY 2014 Forecast	FY 2014 % Growth
Withholding	\$10,391.5	3.9%	\$10,843.9	4.4%
Nonwithholding	2,441.4	(0.4)	2,568.5	5.2
Refunds	(1,930.8)	0.3	(1,960.6)	1.5
Net Individual	\$10,902.1	3.5%	\$11,451.8	4.5%
Sales	3,153.3	2.8	3,260.8	3.4
Corporate	877.6	6.0	904.5	3.1
Recordation	322.9	0.0	322.9	0.0
Insurance	293.6	2.2	307.5	4.7
All Other	697.0	1.1	722.0	3.6
Total GF Revenue	\$16,246.5	3.3%	\$16,969.5	4.5%
ABC Profits	53.7	0.8	54.0	0.6
Sales Tax (0.25%)	226.1	4.6	233.9	3.4
Transfers Per Act	115.6	(23.7)	122.6	6.1
Total Transfers	395.4	(6.1)%	410.5	3.8%
Total General Fund	\$16,641.9	3.1%	\$17,380.0	4.4%

Tax Policy Adjustments Assumed in HB 30

(\$ in millions)

Tax Policy Changes	FY 2013	FY 2014	Biennial
Increase Sales Tax Dedicated to Transportation from 0.5% to 0.75% (phased over 8 years)	(\$54.4)	(\$56.3)	(\$110.7)
Federal Conformity: Extend Earned Income Tax Credit for additional year	(7.0)	--	(7.0)
Increase Long-Term Care Insurance Tax Credit from 15% to 30% (2011 legislation)	(1.2)	(1.2)	(2.4)
Increase Section 199 Domestic Production Income Disregard from 6% to 9%	(10.0)	--	(10.0)
Private School Corporate Tax Credit (2012 legislation)	--	(10.0)	(10.0)
Increase R and D Tax Credit Cap from \$5.0 million to \$10.0 million	--	(5.0)	(5.0)
Small Business Tax Credit for 10% Qualified Investment (2012 legislation)	(1.5)	(1.5)	(3.0)
Accelerated Sales Tax Adjustment - TTF Share (HB 29)	(6.8)	(6.8)	(13.6)
Total: Tax Policy Changes	(\$80.9)	(\$80.8)	(\$161.7)

Fee Increases

- Included in HB 30 are a number of proposals to increase fees
- Generally the fees are increased to more fully fund the related-activity without increasing the general fund subsidy for the program, and there is a nexus between the fee payer and the activity supported

Fee Proposal (\$ in millions)	FY 2013	FY 2014	Biennial
HHR – Community Waterworks Connection – increase from \$2.05 to \$3.00	0.85	0.85	1.70
HHR – Restaurant Inspection Fee – increase \$40 to \$60	0.90	0.90	1.80
DMV Fees - \$20 minimum license fee, \$10 title replacement fee, \$10 late fee for vehicle registrations	9.90	9.90	19.80
VDACS Food Inspection – increase from \$40 to \$60	0.22	0.22	0.44
VDACS Weights and Measures Fee - \$8.00 per device	1.00	1.00	2.00
State Parks Fees (unspecified amounts)	0.45	0.45	0.90

OVERVIEW: HOUSE BILL 30 APPROPRIATIONS

Overview: Spending and Savings

- HB 30 (FY 2013-2014) includes an additional \$1.93 billion in resources compared to the adjusted FY 2012 base budget
 - Included in the resource total is the \$546.0 million carry forward from FY 2012 (HB 29)
- Gross spending increases total \$2.79 billion
- Spending increases are offset by \$882.4 million in budgetary savings as well as technical/base expenditure reductions of \$456 million over the biennium
- As a result, net new spending proposed in HB 30 totals \$1,447.5 billion
- This leaves an assumed unappropriated balance of \$31.4 million at the close of the biennium

HB 30: Adjustments to Resources and Appropriations

(\$ in Million)	FY 2013	FY 2014	Biennial
HB 30: Total GF Resources	\$17,191.4	\$17,383.6	\$34,575.0
Chapter 890 Appropriation (FY 2012)	\$16,548.0	\$16,548.0	\$33,096.0
Base/Technical Adjustments	(226.3)	(229.7)	(456.0)
Adjusted Base Budget	\$16,321.7	\$16,318.3	\$32,640.0
Net Resources Over Expenditure Base	\$869.7	\$1,065.3	\$1,935.0
HB 30 Proposed Spending	1,245.7	1,540.3	2,786.0
Net Available (net resources minus spending)	(\$376.0)	(\$475.0)	(\$851.0)
Targeted Savings	\$351.2	\$447.6	\$798.8
2/4/6% Savings Plans	37.8	45.8	83.6
Total Proposed Savings	\$389.0	\$493.4	\$882.4
Unappropriated Balance (net available offset by savings)	\$13.0	\$18.4	\$31.4

Overview: Spending Proposals

- Total new spending of \$2.79 billion is included in HB 30
- The majority reflects updates to major budget drivers like Medicaid and K-12, with these 2 areas comprising 60% of the unadjusted new spending (\$1.65 billion)
- Other areas of focus in HB 30 are listed below:
 - Improving funding for the Virginia Retirement System,
 - Investing in higher education,
 - Increasing funding for transportation,
 - Investing in economic development, and
 - Addressing potential federal spending reductions
- Table on the following page itemizes the major spending increases

2012-14 Budget Drivers

New Spending Proposed

(\$ in Millions)	Biennial
Medicaid Utilization and Inflation	\$650.5
Update Costs of K-12 Standards of Quality	377.8
Teacher VRS, Group Life and Retiree Health Care Employer Rates	342.4
Revenue Stabilization Fund Deposits	299.1
Higher Ed. Top Jobs Initiative	204.0
Update Costs of K-12 Incentive and Categorical Programs	142.3
Debt Service for New and Currently Authorized Projects	115.5
State Employee Health Insurance Program (net)	100.3
Update K-12 Composite Index	87.8
VRS Rates and Deferred Contributions for State Employees	86.2
Adjusted Sales Tax for K-12	53.4
Water Quality Improvement Fund	50.3
All Other Spending	<u>276.4</u>
Total Spending:	\$2,786.0

Overview: Cost Savings

- Governor's budget includes \$882.4 million in proposed savings and cost avoidance actions
 - Unlike prior budgets where savings were required to meet shortfalls, savings are generated to cover costs of high priority needs
- Savings fall into 2 major categories: agency 2/4/6% savings plans, and targeted reductions in K-12 and Medicaid
- Agency reduction plans total \$83.6 million over the biennium
 - A 1% annual cut equates to about \$37.0 million – thus about 1% each year was generated from these plans on average
- Targeted savings total \$798.8 million, of which \$780.3 million, or 98%, are at DMAS and in Direct Aid to Public Education

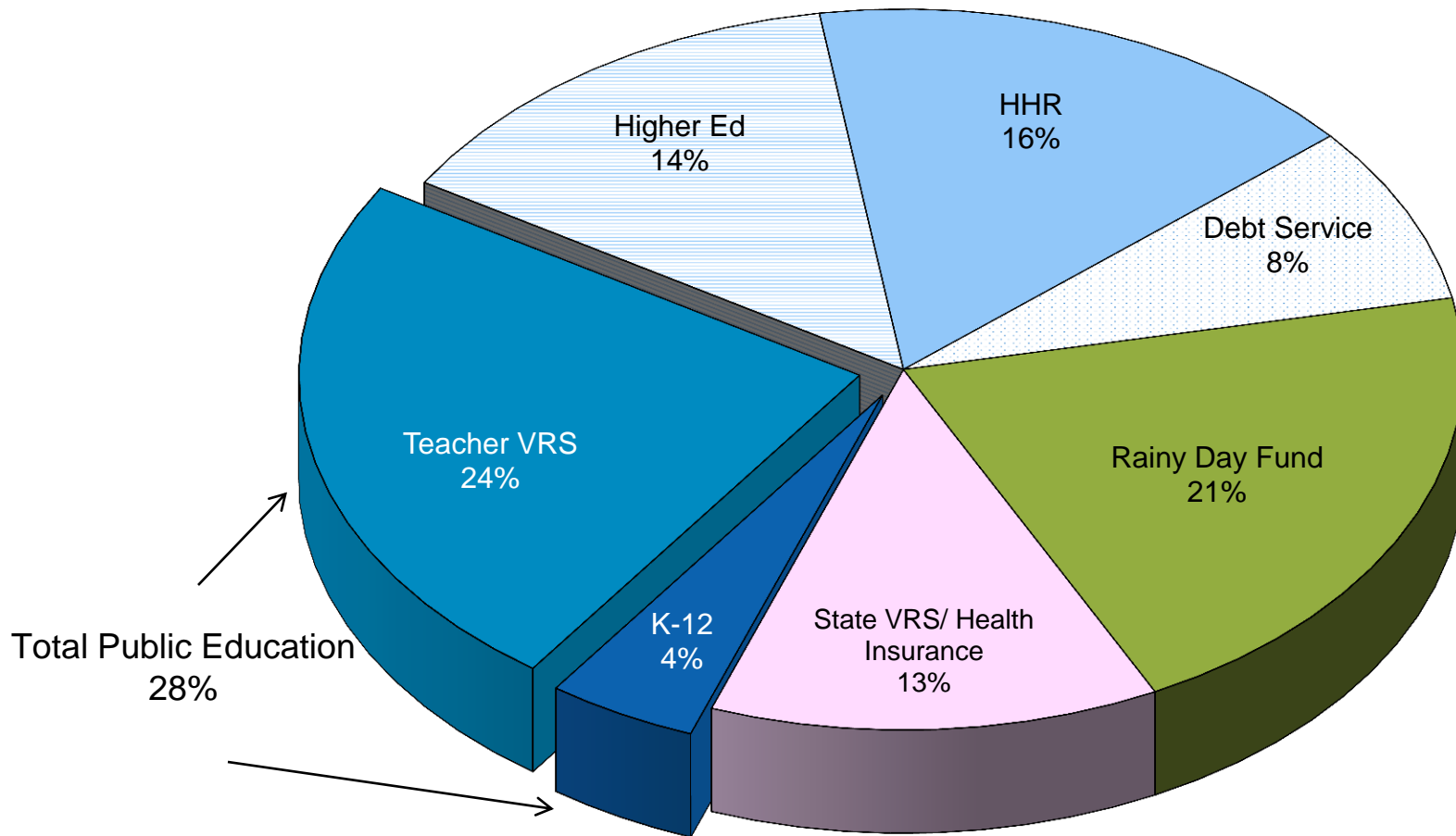
2012-14 Budget Drivers

Savings Proposed

(\$ in Millions)	Biennial
Withhold Medicaid Inflation from Hospital Rates	(\$258.6)
Eliminate K-12 Nonpersonal Inflation Update	(109.0)
Modify K-12 Federal Revenue Deduction Calculation	(108.1)
Agency 2/4/6 Percent Reduction Plans	(83.6)
Reduce PreK for Nonparticipation and Four-Year-Old Count	(81.6)
Maintain Nursing Facility Rates	(75.3)
Remove K-12 Cost of Competing Adjustment	(65.0)
DMAS Savings from Federal Bonus Payment	(32.9)
Indigent Care Reductions at Teaching Hospitals	(29.9)
All Other Savings	<u>(38.4)</u>
Total Savings:	(\$882.4)

\$1.447 Billion Net New Spending Over Biennium

HB 30: Share of Major New Spending



DETAILS BY SECRETARIAL AREAS

HEALTH & HUMAN RESOURCES

HB 29: Health & Human Resources

- Net savings of \$103.2 million in FY 2012
- \$92.1 million GF in savings from Medicaid, FAMIS and SCHIP programs
 - Savings driven largely by lower managed care rates for FY 2012
 - \$85.4 million in Medicaid savings
 - \$5.4 million in SCHIP savings
 - \$1.3 million in FAMIS savings
- \$24.8 million GF in savings in the Comprehensive Services Act (CSA) program due to caseload and utilization
- \$13.7 million GF in increased spending
 - Adoption subsidies: \$6.4 million
 - Department of Rehabilitative Services state match for Vocational Rehabilitation program: \$3.0 million
 - Medicaid federally mandated eligibility review and information technology updates and costs: \$1.7 million
 - Welfare caseload increase in unemployed parents program: \$1.6 million
 - Involuntary mental commitment medical costs: \$670,567
 - Supplemental Nutrition Assistance Program (SNAP) benefit EBT transaction costs due to increased caseload: \$286,842

Summary:

Health and Human Resources Budget

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$4,915.3	\$6,756.7	\$4,915.31	\$6,756.7
Proposed increases	417.6	442.2	681.4	1,896.1
Proposed decreases	<u>(268.0)</u>	<u>(230.4)</u>	<u>(388.4)</u>	<u>(359.9)</u>
\$ Net Change	149.6	211.8	293.0	1,536.2
HB/SB 30, as Introduced	\$5,064.9	\$6,968.4	\$5,208.3	\$8,292.9
% Change	3.0%	3.3%	6.2%	22.7%
FTEs	9,067.67	7,496.08	9,067.67	7,496.08
# Change	(12.45)	(14.55)	18.05	(14.55)

HB 30: Health & Human Resources

- Net spending of \$442.6 million GF over the biennium
- Spending increases total more than \$1.0 billion GF over the biennium driven largely by mandated programs, prior to policy adjustments
 - \$686.5 million GF for Medicaid and children's health insurance programs
 - \$263.2 million Medicaid base budget adjustment to account for FY 2012 funding that was shifted to FY 2011 to take advantage of ARRA enhanced federal Medicaid funding
 - \$30.0 million for the Behavioral Health and Development Services Trust Fund
 - \$17.1 million to modernize eligibility determination information systems and implement electronic health records in state facilities
 - \$16.8 million for adoption subsidies
- Savings total \$656.4 million GF over the biennium primarily driven by Medicaid reductions to eliminate inflationary increases, defer rebasing of nursing home rates, restrict eligibility and limit services

HB 29/30 Medicaid Funding Request

(GF \$ in millions)

Medicaid	FY 2012	FY 2013	FY 2014
Medicaid Base Adjustment for FY 2011 Savings		\$131.6	\$131.6
Medicaid Utilization and Inflation Official Forecast*	(85.4)	173.0	477.5
Policy Adjustments to Medicaid Forecast*		(144.2)	(220.5)
Adjust Medicaid funding for revenue from the Virginia Health Care Fund		8.7	(12.9)
Restore nursing home capital reimbursement		5.0	5.0
Administrative improvements to increase activities to prevent fraud, waste and abuse		5.0	3.0
Promote access to federal veterans benefits		0.1	0.1
Total Medicaid Funding Request	(\$85.4)	\$179.2	\$383.8

*Official forecast includes policy decisions in the 2012-14 biennium which are rescinded through policy adjustments including inflationary increases to hospital, nursing home and other provider payments, and rebasing of nursing home costs.

Policy Adjustments to Medicaid Forecast

(GF \$ in millions)

Policy Adjustments (GF only)*	FY 2013	FY 2014
Eliminate inflation of hospital payments	(\$89.5)	(\$149.1)
Eliminate inflation of nursing home payments and rebasing	(30.7)	(44.5)
Continue 3% FY 2012 indigent care reduction at state teaching hospitals (UVA & VCU)	(15.0)	(15.0)
Eliminate inflation of Indirect Medical Education & Disproportionate Share Hospital payments at state teaching hospitals (UVA & VCU)	(8.7)	(11.3)
Eliminate inflation of outpatient rehabilitation agency payments	(0.2)	(0.4)
Eliminate home health agency inflation rate	(0.1)	(0.2)
Total Policy Adjustments to Medicaid Forecast	(\$144.2)	(\$220.5)

*A like amount of savings accrues to the federal government as a result of these policy adjustments.

Factors Affecting Medicaid Changes in FY 2012

Factors Reducing Costs	Factors Adding to Costs*
<ul style="list-style-type: none">• 3% decline in managed care (MCO) capitation rates• Additional pharmacy rebates on MCO drugs• Declines in Medicare Part A & B premiums• Managed care expansion to Roanoke region	<ul style="list-style-type: none">• 2.8% enrollment growth• 8.6% growth in community mental health expenditures• 8% growth in dental services expenses• 5% growth in fee-for-service outpatient expenditures• 2% growth in waiver expenditures
<p>*Percentage changes in expenditures represent forecasted growth over current appropriations.</p>	

Factors in Medicaid Forecast Growth in 2012-14

- Increased enrollment
 - Growth rate is projected to lower than historical growth rates for currently mandated groups in FY 2013
 - 2% projected for FY 2013
 - Enrollment projections increase dramatically in FY 2014 due to federal health care reform legislation:
 - 48,5300 Medicaid children ages 6 to 18 in families with incomes between 100% to 133% FPL transferred from SCHIP program back to regular Medicaid resulting in a lower federal match rate and increased state funding
 - 49,537 individuals currently eligible for Medicaid but not enrolled, “woodwork” effect due to the individual mandate (GF impact in FY 2014 and beyond)
 - 299,764 newly eligible individuals with incomes up to 133% of the federal poverty level (no GF impact in FY 2014 through FY 2016)
- Increased payments to providers
 - Rebasing and inflation of nursing home and hospital payments and other selected providers required by regulation
 - Provides \$10.0 million over the biennium to restores nursing home capital reimbursement to FY 2010 level
 - Increase in capitation rates for managed care organizations recommended by actuary
 - 5% in FY 2013 and 3% in FY 2014

Factors in Medicaid Forecast Growth in 2012-14

- Continued growth in waiver services
 - 7.4% growth in costs for FY 2013
 - 7.7% growth in costs for FY 2014
 - Rate of growth slowing from 10.6% in FY 2011
- Continued growth in community mental health expenditures
 - 10.3% growth in costs is for FY 2013
 - Includes savings of \$20.0 million in FY 2013 from implementing managed behavioral health care
 - 16.7% growth in costs for FY 2014
 - Projected growth is lower than the 25% average annual rate of growth experienced over the past 5 years

	(All funds \$ in millions)	
Service	FY 2013	FY 2014
Waiver Services	\$94.1	\$97.1
Community MH Services	\$59.4	\$95.5

Children's Health Insurance Programs

- Medicaid SCHIP (children 6-18 years of age in families with incomes between 100% and 133% of the federal poverty level)
 - Savings of \$2.9 million GF and \$5.4 million NGF in FY 2013 reflecting slower enrollment and commensurate lower managed care expenditures
 - Transfers \$18.5 million GF from SCHIP to Medicaid in FY 2014, per federal health care reform legislation effective January 1, 2014
 - Currently, the state receives more favorable FAMIS match rate of 65% under federal children's health insurance program (CHIP)
 - Federal match rate revert to Medicaid FMAP declining from 65% to 50%
 - Additional costs to Medicaid program are captured in the Medicaid forecast
 - Net additional cost to Medicaid of \$7.6 million GF
- FAMIS utilization and inflation (children 6-18 years of age in families with incomes between 133% and 200% of federal poverty level)
 - Adds \$2.7 million GF and \$5.0 million NGF in FY 2013
 - Adds \$6.2 million GF and \$11.6 million NGF in FY 2014
 - Reflects inflationary adjustments for inpatient hospital services required by regulation (eliminated in a separate budget action), modest increase in enrollment, and higher rates for managed care organizations

DMAS & Medicaid Savings

Targeted Reductions	2012-14 (GF \$ in millions)
Reduce GF in Medicaid and replace with federal CHIPRA bonus payment	(\$32.9)
Reduce Medicaid eligibility income limit for long-term care services from 300% to 250% of Supplemental Security Income (SSI) payment, beginning January 1, 2014	(18.2)
Managed care expansion in Roanoke and Southwest Virginia and for all foster care children	(6.0)
Include behavioral health drugs on Medicaid Preferred Drug List	(3.4)
Savings from Administrative Services Organization for Medicaid behavioral health care	(2.4)
Cap Medicaid personal care hours at 48 per week	(2.0)
Administrative reductions & efficiencies	(3.8)
Total	(\$68.7)

Department of Behavioral Health and Developmental Services

- Additional spending of \$39.1 million GF and \$20.5 million NGF
 - \$30.0 million GF in FY 2013 for the Behavioral Health and Developmental Services Trust fund to transition individuals from state training centers into the community
 - \$6.3 million GF and \$20.5 million NGF in special funds over the biennium to implement electronic health records in state mental health hospitals and training centers
 - Special funds are derived from 3rd party payers such as Medicare, Medicaid, and others
 - Assumes receipt of Medicare incentive funds for electronic health records
 - \$2.8 million in FY 2013 and \$3.7 million in FY 2014 and 34.5 positions to address census growth of civilly committed sexually violent predators at the Virginia Center for Behavioral Rehabilitation
 - Language is proposed to permit the conveyance of four state-owned group homes in the Tidewater region to local community services boards for the transition of individuals from Southeastern Virginia Training Center

Department of Social Services

- Spending increases total \$20.3 million GF over the biennium
 - \$10.8 million GF and \$52.7 million NGF over the biennium to replace and modernize the eligibility processing system for benefit programs including Medicaid, TANF, SNAP (formerly Food Stamp program), energy assistance and child care benefits
 - State expects to receive an enhanced federal Medicaid match rate of 90% for hardware and software purchased for health care reform
 - Other eligibility applications that share the same software will not have to bear a proportionate share of the funding as is customary
 - \$8.4 million GF and \$3.7 million NGF each year for adoption subsidies
 - \$1.3 million in FY 2013 and \$0.9 million in FY 2014 for caseload growth in the unemployed parents welfare program
 - \$577,415 GF and \$577,415 NGF for additional electronic transactional costs to provide SNAP benefits and stagger issuance of benefits
- Savings of \$12.1 million GF over the biennium
 - \$5.3 million GF over the biennium from additional Title IV-E reimbursement for foster care
 - \$5.0 million GF over the biennium in child support enforcement savings from increased collections for TANF families

Temporary Assistance to Needy Families (TANF) Block Grant

- Realigns funding in the TANF block grant to balance spending with resources
- Spending for non-mandated expanded programs is significantly reduced
 - Supplants \$1.2 million each year in TANF for domestic violence grants with \$248,750 GF and \$1.0 million each year in balances from the Virginia Domestic Violence Victim Fund and the Virginia Crime Victim Witness Fund
 - Reduces \$1.0 million each year in TANF for at risk child care subsidies
 - Reduces \$500,000 each year in TANF for CHIP of Virginia
 - Eliminates \$500,000 each year in TANF for Community Action Agencies
 - Reduces \$380,000 each year in TANF for Healthy Families

Department of Health

- Spending totals \$1.4 million GF over the biennium
 - Adds \$1.1 million GF over the biennium for 13 additional medical facility inspectors in the Office of Licensure & Certification
 - Adds \$49.0 million NGF in FY 2013 and \$57.1 million NGF in FY 2014 for federal funding for the child and adult care food program and the summer food program funded through the USDA
- Savings totals \$17.0 million GF over the biennium
 - Reduces \$6.5 million GF by reducing support for 19 community-based health care providers, representing a 50% reduction in FY 2014
 - Supplants \$2.6 million GF by increasing the fees
 - Community waterworks connection fee increase from \$2.05 to \$3.00
 - Restaurant and food permit fee increase from \$40 to \$60
 - Saves \$2.4 million GF by eliminating dental services in local health departments and phasing out general medical services
 - Assumes transition of 2,453 patients to safety net providers
 - Saves \$1.4 million GF by eliminating the Water Supply Assistance Grants
 - Saves \$1.2 million GF by eliminating 16 environmental health specialist positions due to reduced demand for septic systems and wells
 - Supplants \$1.0 million GF for poison control centers with \$4 for Life funds used for training programs

Department of Health Proposed Reductions to Community Based Providers	FY 2013 2% reduction	FY 2014 50% reduction
Virginia Health Care Foundation	\$0	\$2,040,286
Virginia Association of Free Clinics	0	1,598,200
Virginia Community Healthcare Association	0	1,204,375
Comprehensive Health Investment Project (CHIP) of Virginia	30,318	757,946
AIDS Center and Local Intervention Center	9,282	232,055
Virginia Health Information	4,946	123,657
SWVA Graduate Medical Education Consortium	4,301	107,530
Statewide Sickle Cell Chapter of Virginia	1,800	45,000
St. Mary's Health Wagon	0	38,356
Arthur Ashe Health Center	0	37,830
Alexandria Neighborhood Health Services	0	34,748
Community Health Center of Rappahannock Region	0	21,250
Jeanie Schmidt Free Clinic	0	19,125
Mission of Mercy	425	10,625
Chesapeake Adult General Medical Clinic	0	8,686
Fan Free Clinic	0	6,960
Olde Towne Medical Center	0	5,115
Louisa County Resource Council	156	3,905
Eliminate Funding for Bedford Hospice House	76,500	76,500
TOTAL	\$127,728	\$6,372,149

Department of Rehabilitative Services

- Adds \$3.4 million GF each year to match federal funding for the Vocational Rehabilitation program
 - State's share is 21.3% to match increased federal grant allocations from recent years
 - Maintenance of effort is required by federal government
 - Language is proposed to ensure agency seek approval before accepting additional federal VR allocations which would obligate additional state funding
- Savings of \$670,285 each year and one position in community-based services
 - 4% reduction in funding for extended and long-term employment support programs
 - 2% reduction in community rehabilitation programs including personal assistance long-term rehabilitative case management, brain injury services and Independent Living Part C services

Other Significant Actions

- **Comprehensive Services Act**
 - Saves \$22.4 million GF over the biennium reflecting lower caseload and utilization trends
 - Saves \$12.2 million GF over the biennium by eliminating school-based wrap around services for children with disabilities
 - Offsets this reduction by adding \$1.4 million GF over the biennium in funding for CSA non-mandated services
- **Department for the Aging**
 - Continues a reduction of \$100,000 GF each year from not funding the Commissioner's salary
 - Legislation is anticipated merging the agency into the Department of Rehabilitative Services
 - Saves \$1.2 million GF over the biennium by phasing out funding for community-based aging service providers
 - 50% reduction in FY 2013 and elimination in FY 2014

PUBLIC EDUCATION

HB 29: Technical Updates to Direct Aid

- The introduced budget equals \$4.9 billion GF and \$1.4 billion NGF (Lottery, literary and federal) for a decrease of \$38.9 million GF and an increase of \$18.5 million NGF relative to the adopted FY 2012 budget in Chapter 890
- Lottery Proceeds Revenue update: \$18.5 million increase for FY 2012 of which \$9.0 million was carried forward from FY 2011
- Sales Tax estimated reforecast: net increase of \$2.1 million
 - Sales Tax increase of \$4.7 million
 - Basic Aid offsetting decrease of \$2.6 million
- Transfers Textbooks and Composite Index Hold Harmless GF accounts and a portion of the Supplemental PPA payment into Lottery: saves \$32.6 million
- Update for student enrollment estimates: net decrease of \$5.2 million
 - March ADM projection decrease of 1,202 students: saves \$5.0 million
 - ESL & Remedial Summer School for actual enrollments: saves \$0.2 million
- Incentive & Categorical programs: net decrease of \$3.1 million
- National Board Certification updated to reflect decrease in eligible teachers: saves \$142,000

Summary: Public Education Funding

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890*	\$4,951.8	\$1,403.3	\$4,951.8	\$1,403.3
Proposed increases	606.8	14.7	656.1	19.4
Proposed decreases	<u>(426.3)</u>	<u>(0.0)</u>	<u>(432.2)</u>	<u>(0.0)</u>
\$ Net Change	180.5	14.7	223.9	19.4
HB/SB 30, as Introduced	\$5,132.3	\$1,417.9	\$5,175.7	\$1,422.6
% Change	3.6%	1.1%	4.5%	1.4%

**Note: The general fund base budget reflects \$107.3 million in one-time spending in each year and is included in the proposed decreases totals.*

HB 30: Direct Aid

Total Biennial Budget Equals \$13.1 Billion

- The Governor's proposed 2012-14 biennial budget for Direct Aid to Public Education totals \$10.3 billion GF and \$2.8 billion NGF (Lottery, literary and federal)
 - \$5,132.3 million GF and \$1,417.9 million NGF in first year
 - \$5,175.7 million GF and \$1,422.3 million NGF in second year
- The biennial budget has a net increase of \$404.4 million GF and \$33.8 million NGF over the adopted budget and include the following major actions:
 - Removes One-time spending
 - Rebenchmarking update costs
 - Policy Changes
 - Fully funding the state's share of the VRS rate changes

Summary of Proposed Changes

FY 2012 Adopted Budget (Ch 890)	\$4,951.8	\$4,951.8	\$9,903.6
	<u>FY 2013</u>	<u>FY 2014</u>	<u>Biennium</u>
Remove One-time Spending in FY 2012 Adopted Budget	(\$107.3)	(\$107.3)	(\$214.6)
Rebenchmarking Update Costs	305.9	355.3	661.2
New Initiatives, Other Action	3.0	3.0	6.0
Lottery Updates	(11.2)	(15.9)	(27.1)
Policy Changes	(180.9)	(182.8)	(363.7)
Sub-total of Updates	\$9.5	\$52.3	\$61.8
<u>VRS Rate Changes</u>	<u>170.9</u>	<u>171.5</u>	<u>342.4</u>
TOTAL CHANGES TO DIRECT AID	\$180.5	\$223.9	\$404.4
Proposed HB 30	\$5,132.3	\$5,175.7	\$10,308.0

Summary of Proposed Updates & Policy Changes	FY 2013 (\$ in millions)	FY 2014 (\$ in millions)	Biennium (\$ in millions)
Rebenchmarking: Standard of Quality (SOQ) Programs	\$180.7	\$197.1	\$377.8
Rebenchmarking: Incentive & Categorical Programs	64.8	77.5	142.3
Rebenchmarking: Composite Index	42.7	45.1	87.8
Rebenchmarking: Net Sales Tax Forecast	17.6	35.7	53.4
VRS: Retirement Rates for Prof. & Nonprof.	151.0	151.6	302.6
VRS: Group Life & Retiree Health Care Credit	19.9	19.9	39.8
Governor's New Initiatives	3.5	3.1	6.6
Education Programs & Incentives	1.2	1.5	2.7
Eliminate Selected Supplemental Education Initiatives	(1.6)	(1.6)	(3.3)
Lottery Revenue & Transfer Programs	(11.2)	(15.9)	(27.1)
Remove One-time Spending	(107.3)	(107.3)	(214.5)
Policy: Remove COCA for Support Positions	(32.2)	(32.8)	(65.0)
Policy: PreK Nonparticipation Savings & K as Proxy	(40.3)	(41.3)	(81.6)
Policy: Modify Federal Rev Deduct - Include Portion of SFSF	(54.0)	(54.1)	(108.1)
<u>Policy: Nonpersonal Inflation Factor</u>	<u>(54.4)</u>	<u>(54.6)</u>	<u>(109.0)</u>
TOTAL PROPOSED CHANGES	\$180.5	\$223.9	\$404.4

Largest Rebenchmarking Components

- SOQ positions' funded prevailing salary adjustments – calculated from average salaries reported from the school divisions:
 - Elementary teachers: \$43,904 to \$45,118, or 2.8% salary increase
 - Secondary teachers: \$46,090 to \$47,267, or 2.6% salary increase
 - Other SOQ instructional positions increased by an average of 1.8%
 - Principals, asst. principals, instructional assistants
- Base-year expenditure data – FY 2010 Annual Supt. Report (ASR)
- Local Composite Index (LCI) updates:
 - CI determines the split of costs between the state and each school division
 - 86 went up & 41 went down & 9 remained unchanged
- Textbooks funded amt: \$40.56 to \$89.73, increase of \$49.17, or 121.2%
- Health Care premium: \$3,375 to \$3,778, increase of \$403, or 11.9%
- Student enrollment: increases in March 31st Average Daily Membership (ADM) from original ADM projections of 1,216,321 for FY 2012:
 - Additional 6,348 students; 1,222,669; 0.52% growth in the first year
 - Additional 13,479 students; 1,229,800; 1.11% growth in the second year

VRS Rates

- The introduced budget provides an increase of \$170.9 million in FY 2013 and \$171.5 million in FY 2014 for the state's share of funding the revised VRS benefit rates:
 - Teacher/professional retirement: 6.33% to 11.66%
 - \$147.6 million in first year and \$148.0 million in second year
 - Support/nonprofessional retirement: 7.53% to 10.23%
 - \$3.4 million in first year and \$3.6 million in second year
 - Retiree Health Care Credit: 0.60% to 1.11%
 - \$14.3 million each year
 - Group Life: from 0.28% to 0.48%
 - \$5.6 million each year
- Reduces the Literary Fund transfer for VRS: \$300,000 GF in second year

Lottery Proceeds & Program Changes

- Projected Lottery revenues are estimated to increase by \$14.4 million the first year and \$19.1 million the second year
 - Total \$450.3 million FY 2013
 - Total \$455.0 million FY 2014
- The proposed budget also adjusts which programs are to be funded by the additional Lottery revenue and subsequently makes an equal amount of offsetting general fund savings
 - Transfers Remedial Summer School to GF
 - Updates to remaining Lottery-funded programs
 - Adds in additional Textbooks payments
 - Fully funds At-Risk in Lottery

Policy Changes

- The introduced budget excludes funding for inflation updates: saves \$54.4 million in FY 2013 and \$54.6 million in FY 2014
 - This is consistent with funding practices for other agencies
- Updates the federal revenue deduct calculation to include 59.2% of the ARRA revenues used to offset FY 2010 basic aid reductions: saves \$54.0 million in FY 2013 and \$54.1 million in FY 2014
 - FY 2010 is the base year of ASR data used to calculate the state's share of SOQ funding for the 2012-2014 biennium
- Removes the Cost of Competing Adjustment (COCA) for support positions: saves \$32.2 million in FY 2013 and \$32.8 million in FY 2014
- Includes PreK nonparticipation rate of 25.4%: saves \$27.3 million in FY 2013 and \$27.6 million in FY 2014
- Revises methodology to determine the number of at-risk 4-yr-olds used for PreK: saves \$13.0 million in FY 2013 and \$13.7 million in FY 2014
 - Uses projected kindergarteners instead of estimate from VEC for proxy count estimate
 - Provides hold harmless supplement if new method reduces the number of funded slots relative to either existing method or used slots in FY 2012

New Initiatives: \$6.6 million

Eliminated Programs: \$3.2 million

- New Initiatives:
 - Communities in Schools (CIS): \$1.0 million each year
 - College Ready PSAT: \$913,016 each year
 - Teacher Recruitment - Preparation Pilot: \$300,000 first year & \$400,000 second yr.
 - Va. Workplace Readiness Skills Assessment: \$308,655 each year
 - Teacher Recruit & Retention Bonuses for Math & Science: \$500,000 first year & \$100,000 second year
 - Race to GED Initiative 'Plugged-In Virginia': \$165,375 each year
 - Charter Schools Advisory Group: \$100,000 each year
 - Youth Development Academy: \$67,897 each year
 - Summer Residential Governor's School: \$60,068 each year
 - Health Sciences Academy: \$80,000 first year only
- Eliminated Programs:
 - NCLB / EFAL – Hard-to-Staff Schools: saves \$839,067 each year
 - Project Discovery: saves \$619,650 each year
 - Dept. of Housing & Comm. Dev.-Adult Literacy: saves \$125,000 each yr.
 - Virginia Education Technology Alliance: saves \$40,375 each year
- Education Programs and Incentives: \$1.2 million each year

Language

- Proposes changing language related to the consolidation of school divisions and local governments and the composite index hold harmless provision that allows the consolidated entities to use the lower composite index when calculating state funding
 - Current language provides a 15 year period provision only when both divisions and local governments consolidate and a 5 year provision if the school divisions consolidate
 - New language provides a 15 year period for either type of consolidation
- New language requires DOE to include in the annual School Performance Report Card for school divisions the percentage of each division's annual operating budget allocated to instructional costs
 - Will assist divisions in determining whether they have reached 65% of funding toward instruction

Central Office and Secretary of Education

- The introduced budget proposes additional funding for Academic Reviews for those schools that are not fully accredited: \$499,777 the first year
- Adds \$415,500 over the biennium to support new performance evaluation training sessions in each of the eight superintendent regions for teachers, principals & superintendents
- Eliminates state funding for public broadcasting: saves \$3.6 million each year
 - Educational Telecommunications: saves \$2.6 million
 - Public Television: saves \$486,320
 - Public Radio: saves \$471,551

HIGHER EDUCATION

Summary: Higher Education Funding

Proposed Adjustments as Introduced				
(\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$1,558.7	\$6,914.8	\$1,558.7	\$6,914.8
Technical Adjustments	11.6	18.4	11.8	18.4
Proposed increases	102.3	410.6	102.0	489.2
Proposed decreases	(1.9)	(68.3)	(2.0)	(68.3)
\$ Net Change	112.0	360.7	111.8	439.3
HB/SB 30, as Introduced	\$1,670.7	\$7,275.5	\$1,670.5	\$7,354.1
% Change	7.2%	5.2%	7.2%	6.4%
FTEs	17,494.02	37,662.58	17,495.02	37,830.58
# Change	(144.64)	2,453.64	(143.64)	2,621.64

HB 30: Higher Education Institutions

- The introduced budget proposes about \$152.0 million in new general fund support for colleges & universities in the 2012-14 biennium
 - \$83.4 million is proposed for increased base operating support related to in-state student enrollment growth from prior years
 - \$50.9 million is allocated using a variation of base adequacy guidelines
 - \$32.4 million is allocated based on total in-state student growth from 2010 to 2011 which differs from the stated goal of the TJ 21 to fund in-state undergraduate enrollment (§ 23-38.87:14)
 - While reference is made to the institution six-year plans, the budget contains no language on specific objectives to be accomplished with the new funding
 - \$40.8 million is allocated based on a formula proposed by institution presidents which includes data on degrees awarded, STEM-H degrees, transfers, students from underserved populations and other factors
 - \$14.9 million is proposed for various institution-specific initiatives related to STEM-H, workforce & economic development, and recruitment & retention of students
 - \$0.5 million is provided to VCU to transfer to the Biotechnology Park
 - \$12.7 million is proposed for increased undergraduate financial aid

Research in the Budget Bill

- In total there is \$59.0 million for research related items in the proposed budget across higher education, commerce & trade, and technology areas
 - \$17.2 million is proposed for a central higher education research initiative fund as follows:
 - \$3.0 million per year is proposed for Hampton University proton beam
 - \$3.0 million each is proposed for UVA & VCU for cancer research
 - \$5.2 million is undesignated to be allocated by the Sec of Education, Finance, Commerce & Trade and Technology based on a yet-TBD methodology
 - \$7.5 million is proposed for research centers & initiatives at ODU, UVA & VT
 - \$20.0 million is proposed to further capitalize the research program created last session as part of CIT (Commerce & Trade)
 - HB 2324 (Lingamfelter) created the research roadmap approach so that the Commonwealth efforts would be targeted as opposed to a scattershot approach
 - \$10.0 million for a new life sciences initiative to create a research consortium with funds controlled by the DPB Director (Commerce & Trade)
 - \$4.3 million is proposed in the Innovation & Entrepreneurship Investment Authority for the GAP fund, modeling & simulation and cyber-security (Technology)

HB 30: Other Higher Education Spending

- \$27.7 million is proposed for new spending for other higher education entities, centers and initiatives
 - \$11.7 million is proposed for the TAG program to increase the award by \$100 from \$2,650 to \$2,750 per student
 - \$7.1 million is provided for increased operating support for EVMS
 - \$5.6 million is provided to expand the databases available through the Virtual Library (VIVA)
 - \$1.2 million is proposed for the Research Inst in Danville (IALR)
 - \$1.1 million for new faculty at VIMS
 - \$1.0 million for support Jefferson Labs

Other Higher Education Actions

- Colleges and universities were exempt from the 2-4-6 percent reduction plans. Instead, institutions were assigned reallocation targets totaling \$34.7 million in FY 2013 and \$57.8 million in FY 2014
 - The total pool is equal to 3% of FY 12 GF in the first year & 5% of FY 12 GF in the second year
 - The pool was distributed based on total education & general program GF & NGF which results in a 0.8% to 1.0% reallocation requirement in the first year and 1.4% to 1.7% reallocation requirement in the second year
 - Each institution is required to submit a plan for the use of these amounts that advance the goals of the TJ 21 legislation
 - The amounts for each institution are unallotted from their general fund appropriation until the institutions plan is approved by the Sec of Education

CAPITAL OUTLAY

Treasury Board

- HB 29:
 - Reductions to debt service in Treasury Board of \$11.0 million GF due to lower than anticipated interest rates and issuance delays
- HB 30:
 - Proposes \$40.8 million GF in FY 2013 and \$74.6 million GF in FY 2014 for previously authorized projects

Summary: Capital Outlay Funding

Proposed Capital Outlay Funding	
<u>Fund Type</u>	<u>HB/SB 30 2012-14</u>
VPBA/VCBA Tax-Supported Bonds	\$240.1
9(c) Revenue Bonds	73.9
9(d) NGF Revenue Bonds	340.5
Va. Port Bonds	105.5
Nongeneral Fund Cash	<u>61.8</u>
Total	\$821.9

HB 30: Capital Outlay

- Introduced budget proposes \$240.1 million in VCBA / VPBA bonds for maintenance reserve, equipment for new buildings and selected capital renovation projects
 - Maintenance reserve projects are proposed at \$50.1 million each year (VPBA bonds)
 - \$39.6 million in VCBA bonds is proposed for equipment for new higher education facilities coming on-line during the biennium
 - \$60.9 million in FY 2013 and \$39.5 million in FY 2014 is proposed for major renovation projects which are typically stand-alone capital projects based on project cost but have been placed under the maintenance reserve umbrella
 - Maintenance reserve projects typically cost \$1.0 million or less
 - Projects in the major renovation listing have costs up to \$10 million

Project Planning

- HB 30 proposes \$14.8 million NGF to conduct preplanning for 59 projects
 - Each project would receive \$250,000
 - To move projects to detailed planning (preliminary drawings) would require at least an additional \$65 - \$70 million
 - Projects have an estimated total construction cost of about \$1.5 billion
- Funds to support the planning are proposed to be generated from the reimbursement of expenditures made from the Planning Fund originally created as part of the capital program per HB 5001 (Putney) in 2008 Special Session I
 - A reconciliation of the fund since 2008 may be necessary to ensure that the NGF is available for planning use and that colleges have also been reimbursed for their infusion of institution funds into the planning process

Other Nongeneral Fund Supported Capital Projects

- Projects funded through nongeneral funds (e.g. gifts, federal funds, auxiliary enterprise revenues, and port revenues)
- HB 29:
 - \$12.8 million NGF for higher education project supplements
- HB 30:
 - \$47.1 million NGF revenue projects primarily in higher education
 - \$73.9 million in 9(c) revenue bonds for higher education projects
 - \$340.5 million in 9(d) revenue bonds for higher education projects
 - \$105.5 million in Virginia Port Authority bonds

COMMERCE AND TRADE

HB 29: Commerce and Trade

- The caboose bill amendments include reductions of \$7.7 million in incentive grants
 - Elimination of a \$4.5 million biofuels incentive grant for a company that has closed (reflected in DMME)
 - Elimination of a supplemental training grant of \$3.0 million to Rolls Royce as the company has not yet met the jobs target
 - A reduction of \$200,000 to VIP grant payments due to schedule revisions
- Increase of \$2.6 million GF for the Fort Monroe Authority due to loss of federal funding and lower than anticipated revenue
- Proposed increase of \$250,000 GF to promote and support the OpSail 2012 event bringing total to \$1.25 million

Summary: Commerce and Trade Funding

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$173.4	\$963.4	\$173.4	\$963.4
Proposed increases	60.3	6.8	43.0	2.4
Proposed decreases	(38.6)	(135.7)	(40.8)	(236.9)
\$ Net Change	21.7	(128.8)	2.3	(234.6)
HB/SB 30, as Introduced	\$195.1	\$834.6	\$175.7	\$728.8
% Change	12.5%	(14.7%)	1.3%	(24.4%)
FTEs	374.83	1,284.17	374.83	1,284.17
# Change	2.00	0.00	2.00	0.00

Economic Development Incentive Payments

Total \$134.4 million GF

Economic Development Incentives - \$ in millions	FY 2013	FY 2014
Governor's Opportunity Fund	\$11.8	\$11.8
Commonwealth Research Commercialization Fund	10.0	10.0
Aerospace Facility Incentive Grants	9.3	10.4
Advanced Shipbuilding Training Facility Grant	5.0	5.0
Virginia Investment Partnership (VIP) grants	3.2	5.3
BRAC/Oceana	7.5	0.0
Motion Picture Opportunity Fund	3.5	3.5
Semiconductor Manufacturing Grants (Micron)	5.4	5.4
Major Eligible Employers Grants (VIP Subfund)	5.0	5.0
VA Economic Development Incentive Grant (VEDIG)	0.8	1.3
SRI International (final payment)	1.0	0.0

Economic Development Incentives Payments

- Also included in this item total are two new initiatives:
 - Life Sciences Initiative
 - Proposes \$5.0 million each year to provide funding for a research consortium comprised of UVA, VCU, VT, GMU and EVMS to contract with private entities, foundations and other government sources for biosciences research
 - Advanced Manufacturing Initiative
 - Proposes \$2.0 million GF in the first year for localities to use for site development for prospective Major Employment and Investment Projects
 - In the second year, \$2.0 million to provide a single point of access for manufacturing industry workforce training needs through the Commonwealth Center for Advanced Manufacturing (CCAM)

HB 30: Commerce and Trade Agencies

- Virginia Economic Development Partnership
 - Proposes new spending of \$1.0 million each year to expand Virginia's marketing activities in countries in which we have in-country representation -- Europe, Japan, India and China
 - Recommends \$628,634 GF each year for the Brownfields Restoration Fund, continuing funding provided for this in FY 2012
 - \$1.0 million was provided in Chapter 890 for FY 2012, reduced in HB 29
 - Proposes \$500,000 in the first year to expand a pilot program for region-specific economic development strategies
 - Language in Central Appropriations eliminates VNDIA – pursuant to the recommendations of the Governor's Reform Commission - producing savings of \$342,851 in the first year and \$395,251 in the second year
 - Other reductions limited to agency savings of discretionary expenditures totaling \$218,848 each year

HB 30: Commerce and Trade Agencies

- Virginia Tourism Authority
 - Increase advertising and marketing funds by \$1.0 million GF each year
 - Eliminates language requiring specific set-asides for the “See Virginia First” cooperative advertising program, and combines funding for it with the Outdoor Advertising, See VA Wineries and See VA Parks programs. Specific amounts for each purpose unspecified
 - Increases the competitive regional marketing matching grants by \$575,000 each year, increasing the program size to \$2.0 million annually
 - Phase out set-asides for the Daniel Boone Visitors Center and the Coalfield Regional Tourism Authority by 50% in the first year and 100% in the second year
 - Provides \$22,500 for Coalfields and \$50,000 for Daniel Boone in FY 2013
 - Proposes \$500,000 the first year for the City of Portsmouth to support the Virginia Sports Hall of Fame

HB 30: Commerce and Trade Agencies

- Department of Housing and Community Development
 - Provides \$6.2 million in FY 2013 for operating expenses of the Fort Monroe Authority
 - Property officially conveyed to the Commonwealth on September 30, 2011
 - Funding is included in the Capital section of the budget to provide \$2.0 million of maintenance reserve funding each year for improvements at the FMA
 - No operating funding is included in FY 2014
 - Provides \$1.0 million GF to support the creation of permanent supportive housing and \$500,000 for rapid re-housing to support homeless prevention programs in the first year
 - Recommendations of the Governor's Housing Commission
 - No funding is provided in FY 2014
 - Proposes \$250,000 GF in the first year for the Heartwood Artisan Center in southwest Virginia
 - Proposes a reduction of \$1.5 million each year in the Enterprise Zone grant program
 - Leaves \$14.2 million each year for the program
 - Proposes to phase out funding for the Research and Development Grant Program which supports the nuclear energy research program in the Lynchburg area by reducing funding by \$137,500 (50%) in FY 2013 and \$275,000 (100%) in FY 2014

HB 30: Commerce and Trade Agencies

- Virginia Employment Commission
 - Provides \$4.1 million GF and \$4.1 million NGF in the first year for the interest payment owed on loans from federal government for unemployment insurance benefits
 - The nongeneral fund amount is from a proposed administrative surcharge on the employer tax equal to \$1.36 for each employee for calendar year 2013
- Department of Mines, Minerals and Energy
 - Provides \$500,000 the first year for Offshore Wind Research and Development - maintains funding levels from FY 2012
 - Provides \$300,000 GF each year to offset a decline in NGF fee revenues supporting the Gas and Oil Worker Safety programs
- Department of Labor and Industry
 - Produces savings of \$220,206 GF in the first year and \$308,206 in the second year by eliminating 6 positions and the wage section of the Labor and Employment Law Division

AGRICULTURE AND FORESTRY

Summary: Agriculture & Forestry Funding

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$43.4	\$42.8	\$43.4	\$42.8
Proposed increases	2.6	1.6	2.8	1.8
Proposed decreases	<u>(1.0)</u>	<u>(1.8)</u>	<u>(1.3)</u>	<u>(1.8)</u>
\$ Net Change	1.6	(0.2)	1.6	0.0
HB/SB 30, as Introduced	\$45.0	\$42.6	\$45.0	\$42.8
% Change	3.6%	(0.5%)	3.6%	(0.1%)
FTEs	486.39	312.61	483.39	312.61
# Change	(6.09)	8.09	(9.09)	8.09

HB 30: Department of Agriculture and Consumer Services

- Includes \$1.0 million GF each year to capitalize the Governor's Agriculture and Forestry Industries Development Fund to support localities in attracting and expanding agricultural and forestry facilities
 - Legislation will be proposed to establish the Fund
 - Modeled on the Governor's Opportunity Fund but geared to the unique needs of these industries
- Provides an additional \$260,226 the first year and \$410,226 the second year to expand international marketing of Virginia's agricultural products in Eastern Europe, North Africa and Central America/Caribbean
- Proposes language authorizing the establishment of a per device fee for the annual inspection of weights and measures of up to \$8.00
 - Generates \$1.0 million NGF each year and would support 6 FTE positions
 - Funds are not used to supplant GF support for the program but expand it to allow for more frequent inspections
- Proposes language increasing the food inspection fee for non-restaurant establishments from \$40 to \$60 per year
 - Generates \$223,420 NGF each year which supplants GF support for the program in the same amount

HB 30: Department of Forestry

- Proposes to sell 6 DOF-owned buildings
 - The proceeds of the sale of 3 buildings (estimated at \$425,181) would be transferred to the GF
 - The proceeds of the sale of the other 3 buildings (estimated at \$498,500) would be retained by the Department and be used to purchase mobile technology equipment to support the employees now working in field
- Proposes a reduction of \$170,347 GF and 2 FTE positions the first year and \$314,056 and 5 FTE positions the second year by eliminating buildings and grounds and administrative positions
- Provides \$250,000 the first year to purchase additional fire protection equipment through the MELP program
 - This funding will be required in year 2 as well
- Includes \$120,000 each year to upgrade the agency's accounts receivable system
 - First year amount is portion of industry contributions to reforestation of timberlands, second year is GF

TRANSPORTATION

HB 29: Transportation

- Reflects appropriation of two-thirds of FY 2011 surplus to transportation as required by § 2.2-1514 of the *Code of Virginia*
 - Amount totals \$67.2 million GF
 - As with the FY 2010 surplus, the Governor has recommended that the amounts be deposited into the Virginia Transportation Infrastructure Bank (VTIB)
- Adjusts the VDOT NGF appropriation by \$1.0 billion to reflect the Six Year Program and budget adopted by the Commonwealth Transportation Board in June, 2011
 - The increased amounts reflect the programming of proceeds from the sale of Commonwealth of Virginia Transportation Capital Project Revenue Bonds, the assumed issuance of the 2012 Series of GARVEE bonds, and updates to forecasts of federal apportionments

Summary: Transportation Funding

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$69.0	\$4,466.1	\$69.0	\$4,466.1
Proposed increases	4.0	489.1	0.0	627.7
Proposed decreases	(28.0)	(18.0)	(28.0)	(236.5)
\$ Net Change	(24.0)	471.1	(28.0)	391.1
HB/SB 30, as Introduced	\$45.0	\$4,937.2	\$41.0	\$4,857.2
% Change	(34.8%)	10.5%	(40.6%)	8.8%
FTEs	0.0	9,798.00	0.0	9,798.00
Change in Positions	0.0	1.00	0.0	1.00

Note: FY 2012 GF amount is inflated due to biennial cash flow of Route 58 funding. An additional \$28.0 million provided in FY 2012 to offset a \$28.0 million reduction in FY 2011. Actual base is \$41.0 million.

HB 30: VDOT

- Provides a NGF appropriation of \$54.4 million in FY 2013 and \$56.6 million in FY 2014 to reflect the deposit of an additional 0.005% of the general sales and use tax to the Highway Maintenance and Operating Fund pursuant to legislation being offered this Session
 - Legislation would increase share of sales tax going to transportation from 0.5% to 0.75% over an 8 year period
 - Increase in current biennium limited to 0.005%
 - Amount calculated based on transportation's existing 0.5% of the sales tax, which still includes the tax on food, making up about 19% of the total
 - Unencumbered GF share of the sales tax is not applied to food
- Includes net adjustments of \$386.7 million in FY 2013 and \$319.2 million in FY 2014 to reflect the December revisions to the Commonwealth Transportation Fund forecast as well as adjustments included in the FY 2012-2017 Six Year Program adopted by the Commonwealth Transportation Board last June
 - Revised CTF forecast for upcoming biennium assumes growth of 5.0% in FY 2013 and 3.4% in FY 2014 inclusive of the additional sales tax proposed
 - Major adjustments in the Six Year Program reflected the issuance of CPR bonds in the upcoming biennium, reduced FRAN debt service and revisions to assumed federal revenues
- HB 30 assumes \$2.3 million each year from the deposit of Waste Tire Trust Fund revenues into the HMOF
 - Previously funds had all been appropriated to DEQ

HB 30: DMV

- Includes language authorizing three Department of Motor Vehicle fees to help the agency to recover the costs associated with processing these transactions and provide sufficient support for its operating costs

Proposed DMV Fees (Revenue in Millions \$ NGF)			
	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Revenue</u>
Late Fee on Registration Renewals	\$0.00	\$10.00	\$3.8
Replacement & Supplemental Titles	\$5.00/6.00	\$10.00	\$1.4
Minimum Driver's License Fee	\$4.00	\$20.00	\$0.8
Replacement Driver's License Fee	<u>\$10.00</u>	<u>\$20.00</u>	<u>\$3.9</u>
Total Annual Revenues			\$9.9

- Also reflected in HB 30 is a reduction in the NGF appropriation for the Motor Vehicle Rental Tax of \$18.0 million the first year and \$33.0 million the second year to reflect the transfer in the collection and disbursement of these funds from DMV to the Department of Taxation

HB 30: DRPT

- Includes 2 language amendments proposing policy shifts in the use of DRPT funding
- The first authorizes the Commonwealth Transportation Board to utilize up to \$6.7 million in the first year and \$19.4 million in the second year from the Rail Enhancement Fund (REF) for the Intercity Passenger Rail and Capital and Operating Fund to support the operating costs of the extended Amtrak services to Lynchburg and Richmond to D.C.
 - General Assembly created the passenger rail operating fund in 2011 but no revenue was identified to support it
 - The provisions of the Rail Enhancement Fund limit its uses to capital purposes and also require a 30% non-state match for grants
 - The department indicates that this action can be supported short-term by delaying projects programmed with REF monies that are not ready to move forward
- The second authorizes CTB to use Mass Transit Funds to support I-95 Corridor transportation demand management projects
 - The CTB would take funds off-the-top of the Commonwealth Mass Transit Fund to fund improvements required as part of the public-private agreement to construct the I-95 HOT lanes in Northern Virginia

HB 30: Other Transportation Agencies

- Virginia Commercial Space Flight Authority:
 - Provides a one-time appropriation of \$4.0 million GF in the first year within the Secretary of Transportation's budget for final improvements to complete the new launch pad at the Mid-Atlantic Regional Spaceport at NASA's Wallops Flight Facility
 - Previously provided to the project is a \$10.0 million Transportation Partnership Opportunity Fund grant
 - It is anticipated that legislation will be introduced in the 2012 Session to address the longer-term operating needs and organization of the Virginia Commercial Space Flight Authority
- Virginia Port Authority:
 - Included in the Capital Section of HB 30 is authority to utilize \$105.5 million in terminal revenue bonds to construct an addition to the leased APM terminal and address expansion needs at NIT

COMPENSATION AND RETIREMENT

HB 30: VRS Contribution Rates

- Updates contribution rates for VRS programs based on:
 - June 2011 actuarial valuation
 - Assumes a 30 year amortization period, 8% rate of return and 2.5% cost of living adjustment
 - Includes an adjustment to the rates to reflect the language requiring repayment of contributions deferred during 2010-12 biennium over 10 years

(GF \$ in Millions)

Program	FY 2013	FY 2014	Total
State Employee Retirement	\$42.1	\$44.0	\$86.1
State Employee Other Programs	0.6	0.6	1.2
Teachers Retirement	151.0	151.6	302.6
Teachers Other Programs	<u>19.9</u>	<u>19.9</u>	<u>39.8</u>
Total All Programs	\$213.6	\$216.1	\$429.7

Proposed VRS Rates

Program	2012 Rate	HB 30
State Employee Retirement	6.58%	8.76%
SPORS	21.16%	24.74%
VaLORS	13.09%	14.80%
Judicial Retirement System	42.58%	45.44%
Teachers Retirement	6.33%	11.66%
State Employee Health Ins. Credit	0.99%	1.00%
Teacher Health Ins. Credit	0.60%	1.11%
VSDP	0.66%	0.47%
State Employee Life Insurance	1.02%	1.19%
Teachers Life Insurance	0.28%	0.48%

* Rates for FY 2012 for state employee programs are the rates paid by the agencies to Comptroller

State Employee Health Insurance

- Proposes \$43.6 million GF in FY 2013 and \$55.6 million GF in FY 2014 for increased premiums for the state employee health insurance program
 - Proposed rates are still being developed
 - Proposal eliminates the adjustment which uses HIF balances to subsidize the employee and employer rates
 - Funds an 1% increase in the unsubsidized rates for FY 2013 (does not include any inflation adjustment for FY 2014)
 - Decreases the total HIF balances to reflect decreases in the Incurred But Not Reported estimates based on faster billing and payment processing and the availability of federal healthcare reform funds
 - Assumes savings of \$4.2 million GF each year from health plan design changes
- Includes \$0.5 million GF each year for premium increases for the University of Virginia Health insurance program

State Employee Health Insurance Plan Design Changes

Estimated Annual Impact

<u>Plan Design Change</u>	<u>(GF \$)</u>
Eliminate Co-pays for Tier 1 & 2 Diabetes medications/supplies	\$1,472,498
Provide Nutritional Counseling	146,376
Cover Vision Exams Annually	9,722
Establish Drug Network for Maintenance Drugs	(4,108,355)
Outpatient Setting for Selected Surgeries	(819,268)
Equalize Employer Costs for Kaiser Plan	<u>(855,316)</u>
Total	(\$4,154,344)

Other Benefit Issues

Line of Duty

- HB 29 includes language establishing a work group to review the “current process for determining eligibility of state and local Line of Duty Act recipients and the funding responsibility between the Commonwealth and its localities.”
 - Review to be completed by July 1, 2012
 - Language does not specify legislative participation in the work group
- HB 30 includes \$1.7 million GF each year for estimated increased cost for the Line of Duty premiums
 - Budget assumes an annual cost per eligible of \$474 for FY 2013

Workers Compensation Premiums

- HB 30 includes \$0.9 million GF the first year and \$1.4 million the second year for increases in worker compensation premiums

Contingent Bonus

- HB 30 includes language authorizing a contingent 3% bonus for state employees in the second year
 - Estimated cost of 3% bonus is \$77.2 million GF
 - Bonus is contingent on June 30, 2012 discretionary general fund balances of at least two times the cost of the proposed bonus (balances of approximately \$154.4 million GF)
 - Bonus is contingent on balances within individual agencies
 - Secretaries are authorized to adjust agency targets within Secretariat as appropriate
 - Agencies/employees supported with NGF sources pay bonus with available NGF resources
 - Bonus to be paid on December 1, 2012
 - Limited to employees working on April 1, 2012 and remaining employed until at least November 24, 2012

GENERAL GOVERNMENT

Major General Government Actions

Rainy Day Fund

- HB 29 eliminates the \$114.0 million FY 2012 “Rainy Day Fund” reserve appropriation included in Chapter 890 as a set aside in anticipation of the deposits in the 2012-14 biennium
- That amount is carried forward into the 2012-14 biennium and used to pay a portion of the FY 2014 deposit required based on FY 2012 revenue estimates
- HB 30 includes \$132.7 million in FY 2013 and \$166.4 million in FY 2014 for the mandatory deposits into the revenue stabilization fund
 - The FY 2013 deposit is funded completely from FY 2011 year-end surplus
 - \$114.0 million of the estimated \$166.4 million FY 2014 deposit is available from the current FY 2012 revenue reserve

FACT Fund

- The Governor proposes the creation of a Federal Action Contingency Trust Fund to help offset any shortfalls resulting from federal budget cuts
- \$30.0 million is included in HB 29, and an additional \$20.0 million proposed in HB 30 for FY 2014

Major General Government Actions

Local Aid Reduction

- HB 30 generates savings of \$50.0 million GF in FY 2013 and \$45.0 million in FY 2014 by continuing a portion of the aid to localities reversion account
 - Chapter 890 includes a \$60.0 million GF aid to locality reversion in FY 2012

Continued Hiring Freeze

- HB 30 continues the \$10.5 million GF reversion each year from savings resulting from continuing the hiring freeze for Executive branch agencies
 - Savings was first adopted in Chapter 890 for FY 2012
 - Language authorizes transfer of NGF savings to the GF to meet the \$10.5 million target

HB 30: Judicial Branch Actions

- Includes \$1.0 million GF each year to fund 5 currently frozen judgeships
 - By the end of FY 2012 there will be an estimated 33 frozen judgeships
 - Language does not designate which judgeships will be filled
- Includes \$1.0 million GF in FY 2013 and \$2.2 million GF in FY 2014 for additional staffing in General District and Juvenile and Domestic Relation courts
 - Funds 22 FTEs in FY 2013 and 46 FTEs in FY 2014
 - Funding is split evenly between General District and Juvenile and Domestic Relation courts
- Includes language authorizing localities to establish new drug courts without having to seek legislative approval
 - New courts are to be supported using “existing state resources and by federal or local resources that may be available”

Additional General Government Spending

- HB 29 includes an additional \$1.65 million GF for an increase in projected expenditures from the criminal fund
- HB 30 includes \$2.0 million GF each year for additional expenditures from the criminal fund
- HB 29 includes \$3.0 million GF, under central appropriations, to cover expenses incurred in the 2012 presidential primary
 - Up to \$270,000 may cover expenses for the State Board of Elections with the remainder covering local expenses
- HB 30 includes \$1.6 million GF each year to make up for a decrease in federal funding for laboratory testing services at the Department of General Services

HB 30: General Government Savings

- Includes savings of \$1.2 million GF in FY 2013 and \$1.4 million GF in FY 2014 in across the board reductions within the Department of Tax
 - Includes eliminating 11 positions
- Includes \$1.1 million GF in savings each year in across the board reductions within the Department of General Services
 - Includes eliminating 4 positions
- Includes savings of \$160,686 GF each year from eliminating additional reimbursement to electoral board members in counties with towns
- Includes a net savings of \$150,000 GF in FY 2014 from eliminating paper checks for income tax refunds
 - Taxpayers would have the option of direct deposit or debit cards
- Authorizes a transfer in the first year of \$3.2 million in unobligated NGF balances within the State Corporation Commission to the GF

Government Reform Proposals

- Proposes savings, under Central Appropriations, of \$1.0 million GF in FY 2013 and \$1.9 million GF in FY 2014 from 5 proposals to eliminate or merging agencies across state government
 - Includes savings of \$141,415 GF the first year and \$215,900 in savings the second year from merging the Department of Employment Dispute Resolution into the Department of Human Resources Management
 - Includes savings of \$87,018 GF the first year and \$149,413 the second year from merging the Human Rights Council into the Attorney General's office
- Proposes savings, under Central Appropriations, of \$382,550 GF each year from eliminating the payment of organizational dues for 26 organizations across state government
- Proposes savings, under Central Appropriations, of \$225,000 GF each year from the merger or elimination of 22 boards or commissions across state government

New Financial Systems

- “Cardinal” - Includes language authorizing a \$60.0 million treasury loan for the Department of Accounts (DOA) to finalize the development and implement Cardinal, the state’s new financial management system
 - Cardinal will replace CARS which was first implemented in 1978
 - Secretaries of Finance and Technology must approve any expenditures prior to access the \$60.0 million treasury loan
- Includes a sum sufficient appropriation for DOA estimated at \$14.9 million the first year and \$16.8 million the second year for the ongoing operation of the Cardinal system
 - The revenue will be realized from charging agencies and institutions for the use of Cardinal
- Increases DOA’s sum sufficient appropriation for the new performance budgeting system from \$490,947 to \$4.0 million each year
 - Includes \$1.4 million GF each year, in Central Appropriations to support GF cost that will be charged to the agencies for the new performance budgeting system

PUBLIC SAFETY

HB 29: Public Safety Actions

- Includes \$7.4 million GF for the Department of Corrections' (DOC) inmate medical costs for off-site inpatient and outpatient hospital care and private specialists
- Provides \$4.6 million GF in additional funding for jail per diems, based on actual inmate counts through the first quarter of the fiscal year
 - Includes per diem payments for more than 4,000 out-of-compliance state-responsible offenders
- Includes savings of \$1.4 million GF from local delays in opening funded jail expansion projects in Loudoun and Pittsylvania counties
- Reduces Juvenile Justice appropriations by \$3.0 million GF

Summary: Public Safety Funding

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$1,646.1	\$864.4	\$1,646.1	\$864.4
Base Budget Adjustments	18.6	1.9	18.9	1.9
Proposed increases	38.7	2.76	10.0	17.5
Proposed decreases	(6.3)	(0.1)	(6.9)	(0.1)
\$ Net Change	32.4	2.6	3.1	17.4
HB/SB 30, as Introduced	\$1,697.2	\$868.9	\$1,668.1	\$883.7
% Change	2.0%	0.3%	0.2%	2.0%
FTEs	18,077.37	2,270.68	18,077.37	2,274.68
# Change	(70.00)	10.00	(70.00)	14.00

HB 30: Public Safety Actions – Sheriffs

- Provides \$7.4 million GF each year in additional funding for sheriffs
 - This action completes the additional funding to which sheriffs thought they were entitled because of the Compensation Board's failure to recognize the elimination of a proposed public safety fee in 2010
- Includes \$5.6 million GF in FY 2013 and \$6.2 million GF in FY 2014 to provide operating support for newly constructed or expanded jails
 - Includes the Meherrin River and Blue Ridge regional jails and Patrick and Pittsylvania county jails
- Language requires the payment of the state-responsible per diem (\$12) for any technical violator sentenced to jail pursuant to the provisions of a pilot program called Sanctions with Unified Rapid Enforcement (SURE)
 - There is no additional funding provided for this increased per diem payment
 - Operational funding for this pilot program is included the Department of Corrections' budget

HB 30: Public Safety Actions – DOC

Loss of Out-of-State Inmate Revenue and Closure of Mecklenburg

- Eliminates \$20.4 million NGF each year from loss of out-of-state inmate revenues from housing 1,000 Pennsylvania inmates at Green Rock Correctional Center
- Closes Mecklenburg Correctional Center producing savings of \$16.6 million GF in FY 2013 and \$19.9 million GF in FY 2014 to partially offset the loss of the Pennsylvania inmate revenue
 - Closing Mecklenburg will eliminate 324 positions, of which 302 were filled
- Adds \$1.2 million GF in FY 2013 and \$239,316 GF in FY 2014 to recognize the difference between the loss of the Pennsylvania inmate revenue and the savings from closing Mecklenburg Correctional Center

HB 30: Public Safety Actions – DOC

Inmate Medical Care

- Includes an increase of \$15.1 million GF in FY 2013 but savings of \$390,800 GF in FY 2014 for inmate medical expenses
 - No additional GF funding is provided in FY 2014 because Medicaid is assumed to pay for DOC inmates' off-site inpatient care costs beginning January 1, 2014, due to federal health care reform legislation provisions
 - However, there is also no funding for the first six months of FY 2014 before federal health care reform legislation takes effect

Funding for Reentry Initiatives

- Provides \$1.3 million GF in FY 2013 and \$1.6 million GF in FY 2014 and 16 positions for various reentry initiatives
 - Hiring 16 additional probation officers to supervise sex offenders
 - Creates a Virginia Serious and Violent Offender Reentry (VASAVOR) program in the district probation office serving the City of Richmond
 - Create a pilot work release program for offenders housed in Indian Creek Correctional Center who are within 90 days of release

HB 30: Public Safety Actions – DOC

Prison Bed Space Impact of Proposed Legislation

- Includes a total of \$12.1 million GF for deposit to the Corrections Special Reserve Fund for six proposed bills:
 - \$11.7 million required for increased penalties for repeat drug offenders
 - Remaining \$400,000 covers Woodrum impact of bills with undetermined fiscal impacts such as increased penalty for involuntary manslaughter resulting from driving under the influence, assault and battery of a family or household member

SURE

- Provides \$924,288 GF and 12 positions each year for “Sanctions with Uniform Enforcement” (SURE), a pilot program in up to 10 jurisdictions proposed in 2012 legislation
 - Jurisdictions must have established drug courts or drug treatment services
 - For technical probation violators assigned to the program, probation officers must forward any violations to the court for immediate sanctions of 5, 10, or 20 days in jail
 - Program operating policies, procedures and evaluation to be developed in cooperation with the Criminal Sentencing Commission

HB 30: Public Safety Actions – VSP

- Proposes \$2.9 million GF in FY 2013 and \$3.1 million GF in FY 2014 to fill 40 State Trooper vacancies statewide
 - However, HB 30 also assumes savings of \$322,961 GF in FY 2013 and \$557,961 GF in FY 2014 by holding 5 trooper positions vacant the first year and nine trooper positions the second year
- Includes \$2.7 million GF in FY 2013 and \$1.5 million GF in FY 2014 to create a Sex Offender Investigative Unit consisting of 43 non-sworn surveillance officers to monitor offenders on the sex offender registry
 - Troopers currently monitoring sex offenders would be reassigned to other duties
- Proposes \$375,000 GF in FY 2013 and \$264,000 GF in FY 2014 to assume the costs of cleanup and disposal of methamphetamine lab materials previously paid for by the federal Drug Enforcement Agency

HB 30: Other Public Safety Actions

Department of Correctional Education

- Proposes savings of \$2.0 million GF each year from turnover and vacancy
 - HB 30 already assumes a 60 day vacancy savings across all state agencies
- Savings of \$437,274 GF in FY 2013 and \$1.1 million GF in FY 2014 are assumed in Central Appropriations from the elimination of DCE and transferring its funding and positions to DOC and DJJ

Department of Criminal Justice Services

- Includes \$312,500 GF in FY 2013 and \$825,000 GF in FY 2014 to provide community corrections and pre-trial release programs for Southwest Virginia Regional Jail and Central Virginia Regional Jail
- Cuts existing community corrections and pre-trial release programs by \$690,342 GF each year

HB 30: Other Public Safety Actions

Department of Military Affairs

- Proposes \$350,000 NGF each year for the Air National Guard to implement the STARBASE program at the Winchester armory using federal funds
 - Addresses at-risk youth like Commonwealth Challenge
 - Program seeks to increase interest in STEM fields and careers

Department of Forensic Science

- Includes \$267,882 GF in FY 2013 and \$267,557 GF in FY 2014 to fill two existing controlled substances examiner positions and purchase equipment to address increases in methamphetamine and synthetic marijuana cases
- Proposes to eliminate bloodstain pattern analysis, photography support services, and to reduce questioned document services saving \$354,390 GF in FY 2013 and \$694,993 GF in FY 2014 and 9 positions each year

Summary: Veteran's Affairs & Homeland Security

Proposed Adjustments as Introduced (\$ in millions)

	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$9.0	\$42.2	\$9.0	\$42.2
Proposed increases	0.7	3.2	0.7	4.1
Proposed decreases	(0.1)	(0.0)	(0.1)	(0.0)
\$ Net Change	0.6	3.2	0.7	4.1
HB/SB 30, as Introduced	\$9.6	\$45.3	\$9.7	\$46.2
% Change	6.5%	7.5%	7.4%	9.6%
FTEs	116.00	565.00	116.00	565.00
# Change	4.00	51.00	4.00	51.00

Veterans Affairs and Homeland Security

Department of Veterans Affairs

- Proposes \$127,068 GF each year and 2 additional claims agents to increase the number of claims filed on behalf of Virginia veterans
- Provides \$197,018 GF each year and 2 positions for the Virginia Homeless Veterans Initiative, building coalitions to provide homeless veterans with services like housing vouchers, employment support, and social services
- Proposes \$128,068 GF each year to fill 2 positions to work with the Department of Medical Assistance Services to identify Virginia veterans receiving Medicaid and whether they are eligible for disability, compensation, or medical benefits through the U.S Department of Veterans' Affairs
- Adds \$2.7 million NGF in FY 2013 and \$3.6 million NGF in FY 2014 and 51 positions to operate the new 40-bed addition to the Sitter-Barfoot Veterans Care Center in Richmond, which is expected to open October 1, 2012

NATURAL RESOURCES

Summary: Natural Resources

Proposed Adjustments as Introduced (\$ in millions)

	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch.890	\$91.3	\$278.1	\$91.3	\$278.1
Proposed increases	55.8	20.5	3.0	14.0
Proposed decreases	(5.5)	(22.8)	(5.5)	(22.8)
\$ Net Change	50.3	(2.4)	(2.6)	(8.8)
HB/SB 30, as Introduced	\$141.5	\$275.7	\$88.7	\$269.3
% Change	55.1%	(0.86%)	(2.81%)	(3.16%)
FTEs	1,027.50	1,161.50	1,027.50	1,161.50
# Change	(15.00)	0.00	(15.00)	0.00

HB 30: WQIF Language

- Proposes language providing the Secretary of Natural Resources with equal authority with the General Assembly when determining how the legislatively-created WQIF reserve fund will be used
 - The WQIF Reserve Fund was created by the 2004 Session of the General Assembly to limit the “feast or famine” approach to funding Virginia’s water quality programs
- Proposes language overriding the required deposit to the WQIF Reserve Fund
 - Funds would be used to support urban stormwater technical assistance
 - Under existing policies, fund uses would be determined by the General Assembly

HB 30: Distribution of WQIF

Nonpoint Source Pollution Control

- Deposits \$5.0 million GF in FY 2013 into the WQIF for implementation of agricultural best management practices
 - Proposed language directs this entire sum be re-deposited into the Virginia Natural Resources Commitment Fund

Point Source Pollution Control

- Deposits \$45.3 million GF into the WQIF for reducing nutrients discharged by wastewater treatment plants
 - Signed agreements are in place for 57 projects currently
 - Language also provides \$3.5 million GF from deposit for use by the DOC to upgrade the wastewater treatment plant serving the Augusta Correctional Center

HB 30: Dept. Conservation & Recreation

- Reduces over \$2.0 million GF each year in the operating support provided to local soil and water conservation districts (SWCDs)
 - SWCDs are the “boots on the ground” responsible for installation and inspection of most best management practices – they are also more trusted by producers
 - Cutting SWCDs jeopardizes achievement of the Watershed Implementation Plan’s goals
- Reduces \$450,000 GF each year, offset by an equal NGF increase from increasing various State Park fees
- Provides \$1.9 million GF in FY 2013 for the costs of relocating and consolidating the agency’s offices
 - The total cost of the move is estimated at \$3.0 million, but the Department of General Services will provide the rest of the funding to complete the relocation

HB 30: Natural Resource Actions – DEQ

- Proposes \$625,000 GF in FY 2013 to support the federal Title V Clean Air program
 - Also includes language encouraging stakeholders to reach agreement on a permanent fee structure to fully support the program in the future. If the stakeholders do not reach agreement, consideration will be given to ceding the program to the U.S. Environmental Protection Agency
 - Title V Clean Air program has been supported by fees previously
- Includes the transfer of \$191,250 NGF the first year and \$127,500 NGF the second year from the Litter Control and Recycling Fund to the general fund
- Saves \$80,000 GF each year by eliminating funding provided to the Chesapeake Bay Foundation for educational field studies

HB 30: Other Natural Resource Actions

Department of Historic Preservation

- Provides \$1.0 million GF each year for Civil War Battlefield protection
 - Pursuant to Code requirements, these funds must be matched 2 for 1 by other sources of funding

Virginia Marine Resources Commission

- Proposes \$500,000 GF each year for oyster replenishment
 - The intent is to offset the loss of \$1.0 million in federal support for oyster restoration efforts
- Saves \$197,638 GF and \$22,362 NGF each year from eliminating the Virginia Saltwater Fishing Tournament
 - Tournament is operated using saltwater fishing license revenue – this revenue will be used to offset GF reductions in law enforcement operations
- Proposes within Central Appropriations to save \$148,750 GF each year by eliminating participation in the Potomac River Fisheries Commission (PRFC)
 - PRFC is an interstate compact that regulates commercial and recreational fishing on the Potomac River

TECHNOLOGY

Summary: Technology Funding

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$6.2	\$47.6	\$6.2	\$47.6
Base Budget Adjustments	0.1	3.4	0.1	1.1
Proposed increases	2.4	0.0	2.7	0.0
Proposed decreases	(0.3)	(0.1)	(0.3)	(0.1)
\$ Net Change	2.1	0.1	2.4	0.1
HB/SB 30, as Introduced	\$8.4	\$51.0	\$8.7	\$48.7
% Change	33.3%	0.1%	37.7%	0.1%
FTEs	31.00	268.00	31.00	268.00
# Change	0.00	(27.00)	0.00	(27.00)

HB 30: Technology Actions

Innovation and Entrepreneurship Investment Authority

- Proposes \$1.0 million GF in FY 2013 and \$1.3 million GF in FY 2014 to market Virginia's cyber-security and modeling and simulation activities

Virginia Information Technologies Agency

- Proposes to increase the working capital advance for enterprise applications by \$60.0 million, from a total of \$30.0 million to a total of \$90.0 million, to cover systems planning and development costs of the Cardinal financial accounting system
 - Repayment of this loan would be paid from enhanced collections and cost recoveries
 - If those sources are insufficient, the Governor may use up to \$2.0 million from unappropriated general fund balances to repay the working capital advance
- Proposes \$1.4 million GF each year to eliminate previously approved reductions in overhead charges for information technology services
 - Built into the revised information technology rates that state agencies pay for VITA and Northrop Grumman's services
- Within Central Appropriations, \$5.0 million GF in FY 2013 and \$1.8 million GF in FY 2014 is proposed to replace telephone systems
 - Includes OAG, and Departments of Corrections, Environmental Quality, Health, & Taxation