2011 SESSION
Proposed Amendments to the FY 2010-2012 Biennial Budget: House Bill 1500

House Appropriations Committee Staff

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Resources and Overview

Resource Adjustments in HB 1500

- HB 1500 assumes net additional general fund resources of $395.9 million compared to Chapter 874 after adjustments to transfers, balances and proposed tax policy changes
- The additional resources are a combination of increased carry-forward amounts (FY 2010 surplus), increased transfers, reductions in adjustments to balances, the annual revenue reforecast and tax policy adjustments

Increase in General Fund Resources
Available for Appropriation for 2010-2012
($ in millions)

	Original Amount	Revised Amount	Difference
June 30, 2010 Balance	$ 132.2	$ 491.2	$359.0
Adjustments to the Balance	523.1	222.7	(300.4)
Official Revenue Estimates*	29,886.6	30,169.6	283.0
Appropriation Act Transfers	859.1	913.4	54.3
GF Resources Available for Appropriation	**$31,401.0**	**$31,796.9**	**$395.9**

*Note: Official revenue estimate assumes passage of tax policy changes proposed in HB 1500/SB 800.

How Was the FY 2010 General Fund Surplus Allocated?

	$ in Millions
Revenue Surplus:	**$228.5**
Uses:	
Three percent bonus to state employees	82.2
Water Quality Fund	36.5
Accelerated Sales Tax for Transportation Trust Fund	27.7
Additional Sales Tax to K-12	18.7
Natural Disaster Authorizations (sum-sufficient)	13.2
Federal Portion of Dominion Resources Refund	1.2
Total Designations	179.5
Remaining Balance:	49.0
To Transportation Trust Fund (2/3)	32.7
To Nonrecurring Expenditures (1/3)	16.3
Unallocated Surplus:	**$0.0**

Adjustments to Balances in HB 1500

- Chapter 874 assumed $655.3 million in balances over the biennium which is increased by $58.3 million in HB 1500
- The two largest actions impacting the balances reflects:
  - The FY 2010 unexpended agency balances
  - A reduction in assumed savings attributable to lower VRS rates in Chapter 874

Adjustments to Balances in HB 1500

- In addition to surplus revenues, agencies ended FY 2010 with $174.7 million in GF agency balances
  - This includes $71.4 million in discretionary balances and $103.3 million in balances considered "mandatory" re-appropriations
- The Governor has authorized a total of $87.5 million to be carried forward by agencies
  - This includes $17.4 million of the discretionary balances and $70.1 million in mandatory balances
- The remaining $87.2 million in balances are recommended for reversion and the amendments in HB 1500 directs that the balances be deposited into the Virginia Transportation Infrastructure Bank
  - These are comprised of $54.0 million of discretionary balances and $33.2 million in mandatory balances
- Under language in Part 4 of the budget, as well as in the Code, balances must be used for nonrecurring expenditures

Adjustments to Balances in HB 1500

- The adjustments in FY 2012 largely reflect changes in the assumed savings attributable to lower VRS rates
  - Last Session, savings from reduced VRS contribution rates were generated as increases in agency balances to be transferred to the general fund
- The amendments propose increasing the employer contribution rate to the VRS by 4% in FY 2012 by restoring $122.9 million in balances to state agencies
  - This action lowers the projected reversion of state agency balances that would have been generated through lower VRS contribution rates assumed in Chapter 874

Revised Revenue Forecast for the FY 2010-2012 Biennium

- Gross adjustments to the revenue forecast as a result of the fall review process totaled $408.9 million
- The majority of these revisions reflect base adjustments from the greater than anticipated collections in FY 2010
  - Because FY 2010 ended higher than forecast, even without adjusting growth rates in FY 2011 and FY 2012 the Commonwealth has a higher revenue base
- In terms of economics, Global Insight's standard outlook – which forms the basis of the reforecasting process – remained largely unchanged since last Spring and assumes a continued sluggish expansion
  - Global Insight's January national outlook has been revised upward with the U.S. economy projected to grow 3.2% in 2011 compared to the assumed 2.4% in the October forecast

Revenue Forecast Adjustments

- Additional post-GACRE adjustments were made to reflect “money in the bank” through November for both withholding and sales tax collections
  - These sources have been substantially out-performing the model results
  - Additions to withholding tax total $83.0 million over the biennium
  - For sales taxes the increase is $57.0 million
- The revised economic growth rate assumption exclusive of adopted and proposed tax policy changes is 5.2% in FY 2011 and 5.0% in FY 2012
  - These rates are below historic long-term trends
- When adopted and proposed tax policy changes are included, the growth rates are 3.5% for FY 2011 and 5.0% for FY 2012
  - The lower growth rate in FY 2011 reflects the accelerated sales tax collection and tax amnesty programs which resulted in an one-time bump in revenues, impacting the growth rates in FY 2010

Forecast Adjustments and Tax Policy Changes Proposed

Changes in GF Revenue
($ in millions)

	FY 2011	FY 2012	Biennial
Forecast Revisions:			
Oct/Dec Forecast Changes	$209.1	$199.8	$408.9
Cancellation of Brunswick correctional facility sale	(20.0)	0.0	(20.0)
Interest from NGF accounts	(25.0)	(25.0)	(50.0)
Data Ctr Sales Tax Exemption	(3.3)	(7.0)	(10.3)
Technical Adjustments	(1.5)	(0.2)	(1.7)
Tax Policy Changes:			
Advance federal fixed-date conformity	(19.2)	(8.2)	(27.4)
Conform to EITC	(6.2)	0.0	(6.2)
Virginia Port Tax Credit	0.0	(5.0)	(5.0)
Winery Tax Credit	0.0	(0.3)	(0.3)
Refundable R &D Tax Credit	0.0	(5.0)	(5.0)
Total Revenue Changes	**$133.9**	**$149.1**	**$283.0**

Spending Reductions in HB 1500

- The proposed amendments to the budget also include major savings actions totaling more than $500 million over the biennium
- The major budgetary savings by category include reductions identified through:
  1. Agency submissions of 2/4/6% reduction plans: $85.6 million,
  2. Other targeted reductions: $118.8 million,
  3. Technical adjustments and forecast updates: $268.7 million; and
  4. Supplanting general funds with NGF resources: $33.5 million

Major Spending Reductions in HB 1500
(GF $ in Millions)

		FY 2011	FY 2012
2/4/6% Plan Strategies			
Compensation Board	Recover 100% of Liability Ins. and Surety Bond Premiums	-	($1.7)
Direct Aid to Public Education	Eliminate Comp. Index Hold Harmless	-	(57.6)
Department of Taxation	Decrease Reliance on IT Contractors/Disaster Recovery	(0.3)	(1.8)
CSA	Increase local match rate for therapeutic foster care services	-	(7.5)
CSA	Eliminate non-mandated service funding	-	(5.0)
CSA	Equalize match rate for services in public schools	-	(3.9)
Department of Health	Agency-wide restrictions on discretionary spending	(1.5)	(1.5)
DMAS	Reduce nursing home capital reimbursement from 8.5% to 8.0%	-	(2.4)
DMAS	Increase pharmacy discount from AWP -13.1% to -17.43%	-	(1.4)
Department of Social Services	Reduce administrative spending by 7.7%	-	(1.0)
	Total: 2/4/6% Plan Strategies	**(1.8)**	**(83.8)**
Other Targeted Reductions			
Secretary of Education	Public Broadcasting: First Year of Two-year Phase Out	-	($2.1)
DMAS	Require ind. assessments for children's comm. mental health	-	(6.3)
DMAS	Expand Medicaid Care Coordination	-	(3.4)
Central Approp.	Require Plan 1 Employees to Pay Share of Retirement	-	(99.9)
Central Approp.	Reduce Employer ORP contributions - Plan 1	-	(7.1)
	Total: Other Targeted Reductions	**0.0**	**(118.8)**

Major Spending Reductions in HB 1500
(GF $ in Millions)

		FY 2011	FY 2012
Technical/Forecast Adjustments			
Economic Development Incentives	Remove Funding for Ignite Institute and Osage Reestimate		($5.8)
Direct Aid to Public Education	Update SOQ Accts for Sept 30th Membership & ADM	($17.3)	(26.0)
Direct Aid to Public Education	Transfer Portion of FY11 Composite Index Hold Harmless & FY12 Textbooks to Lottery	(19.8)	(13.2)
Direct Aid to Public Education	Update Costs for Composite Index Hold Harmless	(8.4)	-
Direct Aid to Public Education	Update Incentive & Categorical Accounts	(4.1)	(3.9)
Direct Aid to Public Education	Adjust GF for Revised Increase in Literary Fund Forecast	0.0	(2.0)
Treasury Board	Adjust Funding for Debt Service Payments	(11.6)	(20.2)
CSA	Recover excess funding for parental agreements	(1.0)	-
DMAS	Adjust GF for Medicaid Utilization and Inflation	(87.6)	-
DMAS	Additional pharmacy rebates applied to Managed Care	(12.5)	(5.6)
DMAS	Reflect enhanced FMAP for state MH/ID facilities and CSA	(11.4)	-
DMAS	Adjust GF for FAMIS Utilization and Inflation	(9.4)	-
DMAS	Enrollment and cost projections for Medicaid SCHIP children	(3.2)	(4.7)
Department of Social Services	Capture excess funding in the Auxiliary Grant program	(0.5)	(0.5)
	Total: Technical/Forecast Adjustments	**(186.8)**	**($81.9)**
Supplants			
Department of Health	Reduce GF support in State Health Services Program	-	(1.0)
DMAS	Federal bonus for new CHIPRA enrollment initiatives	-	(9.4)
DMAS	Implement a provider tax on ICF-MR facilities	-	(8.5)
Department of Social Services	Supplant GF with CCDF for at-risk child care subsidies	-	(8.0)
Department of Social Services	Supplant GF with TANF for employment services	-	(3.0)
Department of Social Services	Supplant GF with TANF for Healthy Families	-	(2.4)
Department of Social Services	Supplant GF with TANF for Domestic Violence Program	-	(1.2)
	Total: Supplants	**0.0**	**(33.5)**
Grand Total		**(188.60)**	**(318.00)**

Expenditure Adjustments in HB 1500

- Proposed savings, when combined with additional revenues result in approximately $900.0 million in available resources over the biennium
- The majority of the Governor's budgetary actions center on six areas:
  - Restoring funding for VRS through higher contribution rates
  - Directing unexpended agency balances to transportation & WQIF
  - Investing in economic development
  - Investing in higher education
  - Funding Medicaid utilization and inflation
  - Funding VITA technology costs
- In total, proposed funding can be categorized as follows:
  - Mandatory spending: $355.1 million
  - Use of balances: $172.7 million
  - VRS/salary actions: $120.1 million
  - VITA rate increases: $58.3 million
  - Other spending: $206.1 million

Major Spending Increases in HB 1500
(GF $ in Millions)

		FY 2011	FY 2012
Balances			
DCR	Provide for WQIF deposit	32.8	-
DEQ	Provide for WQIF deposit	3.6	-
VDOT	Provide GF for VA Transportation Infrastructure Bank	136.3	-
	Total: Use of Balances	**172.7**	**0.0**
VITA			
Cent. Approps.	Funding for VITA Rate Increases	**28.1**	**30.2**
VRS/Salary			
Direct Aid K-12	Increase Teacher Employer VRS Rate by 2.0%	-	53.2
Cent. Approps.	3% Salary Offset for Employee VRS Contribution	-	66.9
Balances	4% Increase in VRS State Employee Rate (in balances)		
	Total: VRS/Salary	**0.0**	**120.1**
Mandatory			
Courts	Increase Funding for the Criminal Fund	5.4	5.4
Courts	Increase Funding to Reduce Judicial Vacancies	-	1.7
Comp Board	Provide Funding for Jail Per Diems/Expansions	7.4	1.3
Econ. Develop.	Increase in VA Investment Part. and Micron Phase 3 Grants	-	2.4
DHCD	Fort Monroe Authority Operational Funding	-	1.9
DMME	Provide Pass-Through Funding for Dominion Rebate	0.9	-
VEC	Provide GF for Interest on Federal Loans	-	8.9
Direct Aid K-12	Sales Tax Revenue Forecast Net Adjustment	19.5	21.0
Direct Aid K-12	Adjust GF for Revised Decrease in Literary Fund Forecast	2.0	-
Treasury Bd.	Debt Service Requirements	-	7.3
HHR	Fund Op. & Programmatic Review of HHR Agencies	-	1.4
DOH	GF for Marina, Shellfish Sanitation & Chief Medical Examiner	-	2.7

Major Spending Increases in HB 1500
(GF $ in Millions)

		FY 2011	FY 2012
Mandatory			
DMAS	Medicaid Forecast of Utilization and Inflation	-	157.1
DMAS	Adjust Funding for the Health Care Fund	10.0	0.3
DMAS	Add 275 Intellectual Disability Waiver Slots	-	9.8
DMAS	FAMIS Enrollment and Cost Increases	-	9.7
DMAS	Fund Implementation Costs of Federal Health Care Reform	1.6	4.5
DMHDS	Projected Increase in Civilly Committed SVPs	-	24.4
DMHDS	Increase Staffing at Intellectual Disability Training Centers	-	7.1
DMHDS	GF for loss of Medicaid for Hancock Geriatric/Add 8 FTEs	5.4	-
DSS	Fund Shortfall in Child Support Enforcement	2.8	10.7
DSS	Fund Projections for Unemployed Parent Benefit Program	-	2.6
DSS	Restore Auxiliary Grant Rates per Federal Mandate	-	2.4
DSS	Adoption Subsidy Caseload Changes	1.3	-
DOC	Increase Funding for Inmate Medical Care	-	8.1
DOC	Provide Additional Probation and Parole Officers	-	2.2
State Police	Increase Funding for STARS	-	5.9
	Total: Mandatory	**56.3**	**298.8**

Major Spending Increases in HB 1500
(GF $ in Millions)

		FY 2011	FY 2012
Other			
Comp Board	Restore Sheriffs' Funding	8.3	8.3
Econ. Develop.	VA Research and Technology Fund	-	25.0
Econ. Develop.	BRAC/Oceana Funding	-	7.5
Econ. Develop.	Motion Picture Opportunity Fund	-	2.0
DBA	Recapitalize VSBFA Loan Programs	-	5.0
DBA	Establish Tourism Micro Loan Fund	-	2.0
DHCD	Fund Industrial Site Development Program	-	4.0
DHCD	Increase Enterprise Zone Funding	-	1.0
DMME	Restore Agency Reductions and Fund Incentive Grants	-	1.1
VEDP	Regional Collaboration Initiative, Restore Cuts and VCSFA	-	1.5
VTA	Expand Tourism Partnership Grant Fund	-	1.0
VTA	Fund OpSail 2012	-	1.0
Direct Aid K-12	Increase GF to Offset ARRA Transfer to Higher Education	3.4	-
Direct Aid K-12	Pilot Pay for Performance Program in Hard-to Staff Schools	-	3.0
Higher Educ	Higher Education Access and Affordability Initiative	-	50.0
Higher Educ	Higher Education Interest Earnings	-	7.9
Higher Educ	ODU Base Operating Support	-	5.0
Higher Educ	VCU Massey Cancer Center	-	5.0

Major Spending Increases in HB 1500
(GF $ in Millions)

		FY 2011	FY 2012
Other			
Finance	Treasury Board Debt Service	-	3.2
Higher Educ	VCCS Workforce Development	-	3.0
Higher Educ	UMW Dahlgren Center	-	1.0
Higher Educ	EVMS Operating Support	-	5.0
Higher Educ	SCHEV-Tuition Assistance Grants	-	2.5
DOH	Fund Shortfall in HIV/AIDS Drug Assistance Program	3.6	3.6
DMAS	Mitigate Nursing Facility Operating Rate Reduction	-	5.0
DMAS	Enhance Funding for King's Daughters Children's Hospital	-	1.0
DMHDS	Crisis Intervention for Indiv w/ Co-occurring Disorders	-	5.0
DMHDS	Expand Crisis Stabilization Services Statewide	-	4.0
DMHDS	Fund Community Services ESH Discharges/Diversions	-	2.4
DMHDS	Restore Funding for SWVMHI Geriatric Unit	-	2.0
DMHDS	Pos'ns for Lcensing, Comm. Transitions, E-Health Records	-	1.4
Blind/Visually Imp.	Increase GF match for Federal Voc. Rehab. Program	1.0	1.0
DCR	Provide Funding for Land Conservation	-	2.0
Veterans Affairs	Provide Add'l Funding for Cemetery Operations	-	0.4
VDOT	Provide GF for VA Transportation Infrastructure Bank	13.7	
Capital Outlay	VCU Property Acquisition	-	3.3
	Total: Other	**30.0**	**176.1**
Grand Total		**287.1**	**625.2**

Significant Language Items

- The proposed amendments in HB 1500 remove all language calling for mandatory reappropriation of any agency year-end balances
  - Historically, the reappropriation language was included based on the assumption that the balances represent un-paid commitments or reflects statutory language for specific funds – i.e. Governor's Opportunity Fund
  - The Governor's intent is that everything become a discretionary item for review, however in many cases the mandatory re-appropriation is based on language in the Code that often is used to create a "Fund" with language stipulating that such dollars shall not revert
  - The only exclusions are legislative, judicial and higher education balances
- Revenue Stabilization Fund language
  - The 2010 General Assembly set aside $50.0 million as a reserve for the Rainy Day Fund recognizing that beginning in the FY 2012-14 biennium the General Assembly will be required to make a $222.1 million mandatory deposit
  - HB 1500 adds language that permits the Governor to utilize those funds to pay for unfunded federal mandates or spending needs required by emergency disaster declarations

Summary of Budget Proposals by Secretarial Area

Higher Education

Colleges and Universities (Including VIMS & Extension)

- Recommends $72.9 million GF in FY 2012
  - $50.0 million in central accounts to address the access, affordability and degree production goals of the Governor's Higher Education Commission
  - $7.9 million in central accounts for interest earnings and credit card rebate
  - $5.1 million for ODU base operating support
  - $5.0 million for VCU Massey Cancer Center
  - $3.0 million for VCCS workforce development
  - $1.0 million for Dahlgren Center
  - $0.5 million for VT Extensions
  - $0.5 million for VSU Extension
- Allocates additional $3.4 million NGF of federal ARRA funds due to final calculation of distribution between K-12 and higher education
  - When combined with previous allocations, each institution will have had 88.3 percent of its FY 2010 reduction offset by these funds

$50 Million in FY 2012 for Governor's Higher Education Commission Goals

- Funding has four components:
  - $33.0 million is proposed to increase student enrollment, retention & graduation
    - Focus on STEM+ (Science, Technology, Engineering, & Mathematics plus Health Care)
  - $13.0 million is proposed for undergraduate financial aid
  - $3.0 million to increase on-line course availability
  - $1.0 million to increase use of technology in the classroom
- No specific distribution
  - Recommends a process where each institutions would submit proposals for potential use of the funding to Secretary of Education
  - Expectation that proposals will include productivity & innovation strategies which would reduce operating costs and shift resources from low to high priority programs
  - Expectation that level of tuition increases would be lowered

EVMS, SCHEV & Higher Education Centers

- Proposed Spending
  - $2.5 million in FY 12 for the TAG program
  - $5.0 million in FY 12 for EVMS for operating support
  - $250,000 in FY 11 for Southwest Va HEC to repair a retention pond
- Proposed Reductions
  - $222,025 for a six percent reduction in FY 12 to SCHEV operating budget
  - $22,000 in each year for optometry grants
  - $11,499 in each year for Jefferson Labs operating budget

State Library & State Museums

- Proposes reductions of $98,873 GF in FY 2011 and $588,693 GF in FY 2012
- Reductions vary across the agencies
  - Jamestown-Yorktown: reduced by $61,783 in FY 11 & $148,578 in FY 12
  - State Library: reduced by $140,328 in FY 12
  - Va Museum of Fine Arts: reduced by $32,200 in FY 11 & $131,220 in FY 12
  - Science Museum: reduced by $92,671 in FY 12
  - Comm for the Arts: reduced by $75,896 in FY 12
  - Gunston Hall: reduced by $4,890 in FY 11
  - Frontier Culture Museum: No Reductions

Capital Outlay

Treasury Board

- $3.1 million increase in jail reimbursement VPBA authorization for Eastern Shore Regional Jail cost overrun
- Debt Service Savings:
  - Reductions to debt service in Treasury Board of $11.6 million GF in FY 2011 and $20.2 million GF in FY 2012 due to lower interest rates and draw schedule changes
- New Debt Service Requirements:
  - Proposes $10.5 million GF in FY 2012 to support issuance of primarily VPBA bonds on previously authorized projects including maintenance reserve and capital equipment

Use of Debt

- Introduced budget proposes $113.9 million in VCBA / VPBA bonds as follows:
  - $44.5 million for equipment for higher education projects scheduled for completion during FY 2012
  - $43.5 million to convert Brunswick Correctional Facility into a new sexually violent predator facility
  - $10.0 million in VPBA bonds to replace nongeneral fund authority provided in FY 2010 to construct a new headquarters for the Department of Game and Inland Fisheries
  - $8.6 million to supplement capital maintenance reserve projects
    - $6.6 million for armory repairs at DMA
    - $2.0 million for Ft. Monroe building and utility repairs
  - $7.3 million to supplement the completion of the Washington Building capital project

Nongeneral Fund Supported Capital Projects

- Projects funded through nongeneral funds (e.g. gifts, federal funds, auxiliary enterprise revenues, and port revenues)
  - $40.9 million NGF revenue projects primarily in higher education
  - $64.6 million in 9(c) revenue bonds for two higher education dorm projects at VCU and VSU
  - $60.8 million in 9(d) revenue bonds for higher education projects

General Fund Supported Projects

- The introduced budget proposes $3.3 million GF in FY 2012 to reimburse Virginia Commonwealth University for the proposed transfer of property to the City of Richmond

Health & Human Resources

Summary of HHR Proposed Spending and Savings Actions

- HHR spending amendments focus on:
  - Mandatory spending: $256.6 million GF
  - Other spending: $32.8 million GF
- HHR savings amendments focus on:
  - Forecast/technical adjustments: $141.7 million GF
  - Other targeted adjustments: $10.8 million GF
  - 2/4/6% reductions plans: $27.4 million
  - Supplants: $33.1 million

HHR Proposed Spending of $289.4 million

(GF $ in millions)

Agency/Item	FY 11	FY 12
Secretary of Health & Human Resources		
Operational & Programmatic Review of HHR Agencies	-	$1.4
Department of Health		
Address Shortfall in AIDS Drug Assistance Program	$3.6	$3.6
Restore GF for Marina Program, Shellfish Sanitation Program and Office of the Chief Medical Examiner	-	$2.7
Department of Medical Assistance Services		
Medicaid Utilization and Inflation Forecast	-	$157.2
Adjust funding for Virginia Health Care Fund	$10.0	$0.3
Add 275 Intellectual Disability Waiver Slots	-	$9.8
FAMIS Caseload and Costs	-	$9.7
Partially Restore Nursing Home Operating Rates	-	$5.0
Fund Implementation Costs of Federal Health Care Reform	$1.6	$4.5
Federally required updates to Information System	$0.5	$0.6
Enhance Rates for High Volume Freestanding Children's Hospitals (affects Children's Hospital of the King's Daughters only)	-	$1.0

HHR Proposed Spending of $289.4 million

(GF $ in millions)

Agency/Item	FY 11	FY 12
Department of Behavioral Health & Developmental Services		
Projected Increase in Civilly Committed Sexually Violent Predators	-	$24.4
Increase Staffing Ratios at Intellectually Disabled Training Centers	-	$7.1
Replace Loss of Federal Medicaid funds at Hancock Geriatric Ctr.	$5.4	-
Crisis Intervention for Individuals with Co-occurring Disorders	-	$5.0
Expand Crisis Stabilization Services Statewide	-	$4.0
Fund Community Services for Eastern State Hospital Discharges	-	$2.4
Restore Funding for SVMHI Geriatric Unit	-	$2.0
Add positions/funds for licensing, community transition services, electronic health records, medical director and quality management	-	$1.4
Department of Social Services		
Fund Shortfall in Child Support Enforcement Operations	$2.8	$10.7
Projected Caseload Growth in Unemployed Parent Benefit Program	-	$2.6
Restore Auxiliary Grant Payment Rates per Federal Health Reform	-	$2.4
Caseload Changes in Foster Care and Adoption Subsidy Programs	$1.3	-
Department for the Blind and Vision Impaired		
Increase GF Match for Federal Vocational Rehabilitation Program	$1.0	$1.0

HHR Proposed Savings of $213.0 million

(GF $ in millions)

Agency/Item	FY 11	FY 12
Comprehensive Services Act (CSA)		
Increase Local Match Rate for Therapeutic Foster Care Services	-	($7.5)
Eliminate Funding for Services to Non-mandated Children	-	($5.0)
Equalize Local Match Rate for Services Provided in Public Schools	-	($3.9)
Projected Funding for Children Served by Parental Agreements	-	($1.0)
Department of Health		
Agency-wide Restrictions on Discretionary Spending, Travel, Hiring	($1.5)	($1.5)
Reduce GF Support in State Health Services Program	-	($1.0)
Department of Medical Assistance Services		
Medicaid Utilization and Inflation Forecast	($87.6)	
Additional Pharmacy Rebates Applied Managed Care Plans	($12.5)	($5.6)
Reflect Enhanced FMAP for State MH/ID Facilities & CSA	($11.4)	-
FAMIS Caseload and Costs	($9.4)	-
Federal Bonus for New CHIPRA Enrollment Initiatives	$0.3	($9.4)
Implement a Provider Tax on ICF-MR Facilities	-	($8.5)
Enrollment and Cost Projections for Medicaid SCHIP Children	($3.2)	($4.7)
Require Independent Assessments for Children's Community Mental Health Services	-	($6.3)

HHR Proposed Savings of $213.0 million

(GF $ in millions)

Agency/Item	FY 11	FY 12
Department of Medical Assistance Services (continued)		
Expand Medicaid Care Coordination	-	($3.4)
Reduce Nursing Home Capital Reimbursement from 8.5% to 8.0%	-	($2.4)
Reduce Pharmacy Drug Acq. Costs from AWP -13.1% to -17.3%	-	($1.4)
Involuntary Mental Commitments	($0.9)	($0.8)
Department of Social Services		
Supplant GF with Federal Child Care Block Grant Funds for At-Risk Child Care Subsidies	-	($8.0)
Supplant GF with TANF for Employments Services	-	($3.0)
Supplant GF with TANF for Healthy Families	-	($2.4)
Projected Caseload Growth in Unemployed Parent Benefit Program	($1.8)	-
Supplant GF with TANF for Domestic Violence Programs	-	($1.2)
Reduce Administrative Spending by 7.7%	-	($1.0)
Caseload Changes in Foster Care and Adoption Subsidy Programs	-	($0.8)
Revised Spending Projections for the Auxiliary Grant Program	($0.5)	($0.5)

Medicaid Forecast

- Medicaid forecast lowers spending by $87.6 million GF in FY 2011 and increases spending by $157.2 million GF in FY 2012
- Lower expenditures in FY 2011 due to:
  - Average monthly enrollment growth of low-income children and adults is slowing
  - Managed care contracts for FY 2011 were lower than expected
- FY 2012 expenditure growth due to:
  - Continued growth in aged and disabled whose average cost is three to four times higher than children and adults
  - The cost of long-term care services, primarily home and community-based waiver services, is projected to increase
    - Utilization of certain waiver services is driving these costs
    - Personal care, congregate care, day support and in-home services
  - The cost of children's community mental health services continues to grow
    - Utilization of intensive in-home services and therapeutic day treatment services is driving these cost increases

Targeted Medicaid Spending

- Provides $9.8 million GF and $9.8 million NGF in FY 2012 to provide 275 additional ID waiver slots (discussed in detail in further slide)
- Partially restores funding to mitigate nursing home operating rate reduction scheduled to take effect July 1, FY 2011
  - Provides $5.0 million GF and $5.0 million NGF
  - Added funding will change the scheduled FY 2012 reduction from 3 percent to 2 percent
  - Spending is offset by proposed reduction of $2.4 million GF in FY 2012 by reducing capital reimbursement from 8.5% to 8.0%
- Provides $1.0 million GF and $1.0 million NGF in FY 2012 to enhance Medicaid reimbursement for high-volume freestanding children's hospitals
  - Affects only Children's Hospital of the King's Daughters
  - Medicaid utilization is greater than 50 percent

Proposed Funding for Health Care Reform

- Health Information Technology
  - DMAS will serve as single state agency authorized to draw down federal funds
  - $1.1 million GF in FY 2011 and $3.5 million GF in FY 2012 and two positions
    - 90% FMAP available for technology changes
  - Funds will be used to:
    - Connect state health systems to the Health Information Exchange
    - Ensure that Medicaid providers can implement technology needed to produce and use electronic health records
    - Establish a web-based portal for determining eligibility for Medicaid applications
    - Pay for Medicaid participation in the Health Information Exchange
- Provider Incentive Program
  - $442,350 GF in FY 2011 and $821,343 GF in FY 2012 and two positions
    - 90% FMAP available for program
  - DMAS required to manage a federal grant program to assist health care providers in producing and implementing electronic health records
  - DMAS will contract for:
    - Outreach
    - Determination of grant eligibility
    - Technical support
    - Payments to grantees
- Administrative Costs for the Virginia Health Reform Initiative
  - $62,500 in FY 2011 and $187,500 in FY 2012 to support the Office of Health Care Reform in the Secretary's Office
    - 50% FMAP available for support
  - Funds will be used to coordinate the planning and implementation of Virginia and federal reform efforts

Medicaid & FAMIS Proposed Savings

- Medicaid and FAMIS forecast and technical adjustments result in savings of $125.0 million GF in FY 2011 and $11.1 million in FY 2012
- Targeted reductions total $10.8 million GF
  - $6.3 million GF by requiring independent assessments of children in need of community mental health services
  - $3.4 million GF to expand Medicaid managed care and care coordination
    - Language proposed to expand managed care to more geographic locations and manage care of higher cost Medicaid long-term care recipients
    - Staggered timeline for expanding to various populations
    - Models of care coordination are to incorporate principles of shared financial risk and enhanced quality of care
  - $698,687 by increasing audits and data mining activities
  - $323,708 GF by eliminating the pharmacy dosing fee for nursing home residents
- 2/4/6% reduction plan savings total $4.1 million GF
  - $2.4 million GF by reducing nursing home capital rates from 8.5% to 8%
  - $1.4 million GF by reducing drug acquisition costs from AWP minus 13.1% to AWP minus 17.3%
  - $357,406 GF by reducing rates for children's group homes
- Supplants result in savings of $17.5 million GF:
  - $9.0 million from a federal bonus for Medicaid & FAMIS children's enrollment initiatives
  - $8.5 million in savings generated by imposing a 5.5% provider tax on ICF-MR facilities

Sexually Violent Predator (SVP)Program

- Provides $24.4 million GF and 339 positions over the biennium for projected increases in civil commitments of sexually violent predators
  - Enrollment growing from five to eight civil commitments per month
- The Virginia Center for Behavioral Rehabilitation (VCBR) located in Nottoway is funded and staffed for 200 beds
  - Census at facility as of January 1, 2011 is 261
  - Facility is projected to reach capacity of 300 by October 2011
- Funding will be used to:
  - Fund an additional 100 beds at the VCBR in Nottoway
  - Reopen 48 beds at the former SVP facility located at Central State Hospital campus in Petersburg
- Budget also proposes $612,404 GF to address projected increases in the number of SVPs that are expected to be conditionally released to the community
  - Number of persons on conditional release expected to increase from 36 to 55 in FY 2011 and 55 to 75 in FY 2012

Funding for Intellectual Disability (ID) Services

- Department of Justice (DOJ) completing 2-year investigation at Central Virginia Training Center in Lynchburg
  - Formal report not yet received
  - DOJ likely to criticize staffing ratios, care, and pace of community discharges
  - DBHDS concerned that DOJ may widen investigation to other training centers as they did in the 1990s
- Governor's amendments add:
  - 275 additional ID waiver slots in FY 12 ($9.8 million GF and $9.8 million NGF in Medicaid budget)
    - 75 slots planned for training center discharges
  - $7.1 million GF to increase staffing ratios and reduce overtime at the five state intellectually disabled (ID) training centers
    - Possibly 150-160 positions but DBHDS is in process of assessing staffing needs and waiting on report from Dept. of Justice to guide decision
  - $5.0 million GF to expand crisis services statewide to individuals dually diagnosed with intellectual disabilities and mental illnesses
    - 6 regional mobile teams with psychiatrist, 2 clinicians, 4-6 staff with training in behavioral intervention, 1 coordinator
    - 6 regional crisis stabilization units to divert individuals from training ctrs.
  - $600,000 for five positions to facilitate community discharges from state ID training centers and a contract for facility staff training

Funding for Behavioral Health Services

Eastern State Hospital

- Hancock Geriatric Center decertified from the Medicaid program in September
- Introduced budget provides $5.4 million GF to replace federal Medicaid funds at Hancock Geriatric Center and add 8 positions
  - New positions include: an abuse investigator, a training specialist, four direct care aides, one nurse clinician, and one medical records assistant
- Budget also adds $2.4 million GF to increase community behavioral health services in the Tidewater region to handle flow-through of clients due to the downsizing of ESH from 280 to 150 adult civil beds
  - Admissions have been closed since May 2010 due to smaller capacity
  - DBHDS concerned that they are at risk of DOJ intervention unless they can improve the flow of patient discharges and admissions

Other Spending Proposals

- $4.0 million GF to expand crisis stabilization programs statewide
  - Adds up to 4 additional crisis stabilization units with an average of 7 beds per unit
- $2.0 million GF to restore funds to re-open a 20-bed geriatric unit at Southwestern Virginia Mental Health Institute (SWMHI)
  - General fund savings from closure of this unit was incorrectly calculated last year and should have been $1.0 million GF and $1.0 million NGF
- $1.4 million GF to add 9 staff:
  - 6 licensing positions
  - 1 system-wide medical director
  - 1 quality management specialist for compliance issues
  - 1 information technology position to manage conversion to electronic health records

Other Significant Proposed Spending

- $13.5 million over the biennium for child support enforcement operations
  - $6.9 million to backfill a shortfall in revenue collections from payments received on behalf of TANF recipients
  - $6.6 million of this funding restores the base in FY 2012 which was supplanted with federal funding
- $7.2 million over the biennium to address a shortfall in funding for the AIDS Drug Assistance Program (ADAP)
  - Total ADAP Budget is $3.1 million GF and $18.5 million federal grant for current grant year (April 1, 2010 to March 31, 2011)
  - In November, enrollment closed to all but pregnant women, children 18 or younger, and clients being treated for a current opportunistic infection
  - Formulary was reduced to cover only HIV/AIDS specific medications.
  - Proactively screening all participants for other sources of medication and transitioning clients with more stable immune function from ADAP to pharmaceutical manufacturers' patient assistance programs
  - 2011 funding would allow program to maintain revamped program with restrictions
  - 2012 would allow for enrollment of additional newly diagnosed cases
- $2.0 million GF over the biennium for blind and vision impaired vocational rehabilitation services
  - Matches $8.0 million in federal funding over the biennium
  - Not required, though DPB believes we are very close on required minimum GF match for this program

Compensation and Retirement

FY 2012 Employer Contribution Rates

- Last Session, savings from reduced VRS contribution rates were generated as increases in balances transferred to the general fund
- The amendments propose increasing the employer contribution rate to the VRS for the state employee plans by 4% in FY 2012 by restoring $122.9 million in funding for VRS
  - This action lowers the projected reversion of state agency balances that would have been generated through lower VRS contribution rates assumed in Chapter 874
- Proposes $53.2 million in direct aid to education to fund an increase of 2% in the employer contribution rate for teachers
  - Funding comes from the FY 2012 FY 2012 “hold harmless” account

FY 2012 State GF Savings (in millions)

	State Employees	Teachers	Total
Chapter 874 Savings	($170.1)	($126.0)	($296.2)
Introduced Budget Actions	122.9	53.2	176.1
Revised Savings	($43.3)	($72.8)	($120.1)

Reinstitute 5% Employee Contribution

- Assumes savings of $153.6 million by requiring employees hired prior to July 1, 2010 (Plan 1) to pay the 5% employee contribution
- Reprograms $102.4 million of the savings to provide the affected employees a 3% salary adjustment to partially offset the 5% employee contribution
  - Adjusting for FICA, employees take home pay would decrease approximately 2.3%
- Assumes savings of $7.1 million GF by reducing the employer contribution rates for Plan 1 faculty in the optional retirement plan (ORP) from 10.4% to 8.5% (equal to ORP rate for plan 2 employees)
  - Consistent with the provisions of HB 1189 the universities can provide rates up to 8.9% using other funding sources

	GF	NGF Transfer	Total
5% Employee Contribution	($99.9)	($53.7)	($153.6)
3% Salary Offset	66.9	35.5	102.4
Reduced ORP Contrib	(7.1)	0	(7.1)
Savings Generated	($40.1)	($18.2)	($58.3)

Employee Contribution – Teachers and Locals

- Amendments include language allowing school boards and localities to reinstitute the 5% employee contribution for employees hired prior to July 1, 2010 contingent on providing them a salary offset of at least 3%
  - Consistent with proposal for Plan 1 state employees
- Proposes mandating school boards and localities to require employees hired on or after July 1, 2011 to pay the 5% employee contribution
  - Language is silent on employees hired between July 1, 2010 and June 30, 2011 where the locality/school board elected to pay the 5% contribution
  - HB 1189 granted localities the option to adjust the employee contribution requirements for Plan 2 employees at any time, however;
  - It prohibits localities from picking up any portion of the 5% employee contribution for Plan 2 employees if it does not pickup the 5% employee contribution for Plan 1 employees

Line of Duty

- Chapter 874 significantly reformed the funding methodology for the Line of Duty Act requiring the VRS Board to establish a premium per each qualifying employee
  - Localities may opt out and provide benefits independently
- Included $3.0 million GF appropriation in FY 2012 to cover eligible state employees
  - Included language authorizing a loan from the VRS Group Life insurance fund to operate the Line of Duty program until the new system is operational
- HB 1500 provides an additional $400,000 GF for the Line of Duty program in FY 2012

Other Compensation Actions

- Includes language authorizing a 2% bonus to eligible employees on December 1, 2011 contingent on year-end balances totally approximately $110.0 million
  - Cost of bonus is approximately $55 million GF
  - If agencies year-end balances are below $110 million the bonus would be paid on a prorated basis
  - Bonus limited to state employees employed on January 1, 2011 who remain employed at the time the bonus is paid
- Includes language requiring DHRM to contract for an independent actuarial evaluation of the state employee health insurance program

Public Education

HB 1500: Direct Aid

- Funding for direct aid is routinely updated during the odd year sessions to reflect technical changes for budget data: such as student membership, program participation levels, base-year data corrections & expenditures, sales tax, and distributions of Literary and Lottery Fund revenues
- The Governor's proposed budget amendments reflect $100.3 million GF in new spending and $150.4 million GF in savings over the biennium and are accounted for in the following categories:

Proposed FY 2010-2012 Biennial Budget	Spending	Savings	Total
Mandatory / Technical & Forecast Updates	$40.7	($92.8)	($52.1)
2 / 4 / 6% Plan	0.0	(57.6)	(57.6)
VRS Related Actions	53.2	0.0	53.2
Other Actions	6.4	0.0	6.4
AMENDMENT TOTALS	**$100.3**	**($150.4)**	**($50.1)**

Technical Updates to SOQ, Incentive & Categorical Accounts

- Revised projected student ADM for lower estimated growth: $43.2 million GF decrease
  - FY 2011: $17.3 million decrease due to 4,370 fewer students in projections
    - Revised ADM estimate of 1,209,762
  - FY 2012: $25.9 million decrease due to 6,659 fewer students in projections
    - Revised ADM estimate of 1,216,938
- Updates to Incentive and Categorical Programs for lower student participation levels:
  - FY 2011: $4.1 million decrease
  - FY 2012: $3.9 million decrease
- Update the Composite Index 'hold harmless' payment in FY 2011 for a savings of $8.4 million
  - Proposed revised supplemental payment totals $108.1 million

Technical Updates for Sales Tax

- Revised revenue forecast for sales tax distributions and changes to the SOQ Basic Aid payments result in a net increase of $40.5 million over the biennium
  - An increase in sale tax revenue reduces both the state's share and the local matching share for Basic Aid costs
  - A decrease in sale tax revenue increases both the state's share and the local matching share for Basic Aid costs

HB 1500	FY 2011	FY 2012	TOTAL
Proposed Revised Sales Tax Forecast	$44,300,000	$47,600,000	$91,900,000
SOQ Basic Aid Adjustment	($24,781,187)	($26,627,203)	($51,408,390)
NET Total Adjustments	**$19,518,813**	**$20,972,797**	**$40,491,610**

VRS Policy and Rate Adjustments

- The Governor's introduced biennial budget includes several recommendations that impact teachers' retirement:
  - Proposes to increase the employer rate from 5.16% to 7.16% for FY 2012
  - Recommends reprogramming $53.2 million from the composite index 'hold harmless' supplement in FY 2012 to pay for the state's share of the 2.0% employer rate increase for all funded positions in direct aid
  - Proposes language that:
    - Require new employees, hired on or after July 1, 2011, to pay the 5.0% employee rate contribution – with no option for the school division to pay any portion of the 5% employee's contribution
    - Allows school divisions reinstitute the 5% employee contribution, for those hired prior to July 1, 2010 only if the employees' base salary is offset by at least 3.0% increase

Lottery Proceeds Fund

- The Governor's budget proposes using available lottery revenues to supplant general fund revenues that had been budgeted to fund $19.8 million of the Composite Index 'hold harmless' in FY 2011 and $13.2 million of textbooks in FY 2012
  - The introduced budget reflects technical adjustment for lower student participation rates for those programs funded with Lottery proceeds which resulted in the 'freed up' lottery money
- The Pre-K account also reflects an increase in the assumed non-participation rate from 21.70% to 23.08% which is based on final enrollment figures submitted from localities in the spring of FY 2010
- Proposes to increase the estimated Lottery Proceeds revenue by $675,000 in FY 2012 for a revised total of $435.9 million
- New proposed language directs the Department of Education to prorate textbook funding in the event of a Lottery Proceeds revenue shortfall

Other Actions

- The proposed budget adds $3.4 million GF in FY 2011 to replace the federal ARRA Funds that were shifted to Higher Education due to required technical revisions that impacted the split calculation
  - ARRA funding is reduced from $126.4 million to $122.9 million
- Recommends $3.0 million in funding to establish a new pilot ‘Pay for Performance’ initiative in ‘Hard-to-Staff’ schools
  - DOE will develop guidelines and award funds on a competitive grant basis to divisions that apply by June 15, 2011
  - Remaining portion of the FY 2012 Composite Index ‘hold harmless’ supplement is reprogrammed to this initiative

Other Actions

- Reflect technical adjustments made to the Literary Fund revenue forecast
  - FY 2011: Adds $2.0 million GF to offset the $2.0 million decrease NGF
  - FY 2012: Supplants $2.0 million GF with the $2.0 million increase NGF
- Technical update to the National Board Certification teacher bonus grants to reflect actual participation – saves $292,500 in FY 2011
- Technical language amendment clarifies the use of K-12 state funding by local governments
  - Any FY 2011 qualifying state funds carried forward into FY 2012 must be re-appropriated solely for school division
- Finally, under the Secretary of Education, proposed recommendation includes $600,000 GF in FY 2012 for higher education institutions to plan for the development and support of 'College Partnership Laboratory Schools'

Public Broadcasting

- The Governor proposes reducing funding for public broadcasting by $2.1 million, or 50%, in FY 2012
- Remaining 50% funding is planned to be phased out during the next biennium
- This action is consistent with the House's approved budget from last year's session which eliminated the total funding allocation for public broadcasting

Central Office & VSDB

- Department of Education - Central Office
  - Recommends adding $125,000 in FY 2011 to reimburse DOE for additional costs associated with closing the VSDB Hampton location
  - Proposes adding $100,000 in FY 2012 for the Career Pathways initiative which is designed to help students become more aware of vocational or technical education programs
  - Personnel actions –
    - FY 2011: Transfers 2.0 classified positions from GF to NGF for a savings of $199,956
    - FY 2012: Eliminates 2.5 vacant positions and transfers 3.0 classified positions from GF to NGF for a savings of $551,615
  - Uses NGF to supplant $200,000 GF in FY 2011 and $256,442 GF in FY 2012 to pay for the PALS screening and SOL Algebra Readiness diagnostic testing
  - Proposes to decrease the federal funds appropriations by $21.0 million each year

- VSDB - Staunton
  - Proposes $865,000 in bond proceeds for equipment for the new educational building and dormitories

Commerce and Trade

Commerce and Trade

- The proposed amendments within the agencies in Commerce and Trade include increases of $68.2 million GF offset by reductions of $9.8 million
- The majority of the amendments reflect the Governor's "Opportunity at Work" package which totals $54.3 million in new funding for economic development activities ($3.1 million of which is funded through higher education)

"Opportunity at Work" Initiative

- The $54.3 million in spending amendments for the "Opportunity at Work" initiative were generated by the Governor's Economic Development and Jobs Commission and includes:
  - $25.0 million in FY 2012 for a new Virginia Research and Technology Innovative Fund (VRTIF)
  - A $10.3 million front page adjustment in FY 2012 to reflect 3 new tax incentives which will be proposed in stand-alone legislation:
    - A research and development tax credit capped at $5.0 million,
    - $5.0 million for a Virginia Port tax incentive, and
    - $250,000 for a vineyard and wineries tax credit
  - $5.0 million in FY 2012 to recapitalize the loan programs as the Virginia Small Business Financing Authority (VSBFA)
  - $4.0 million for industrial site revitalization through the existing Derelict Structures Fund managed by the Department of Housing and Community Development

“Opportunity at Work” Initiative
(continued)

- The $54.3 million in spending amendments for the “Opportunity at Work” initiative also include:
  - $2.0 million in FY 2012 for a new Tourism Development Micro Grant Fund that would be managed by the VSBFA
  - $2.0 million in FY 2012 to expand funding for the Motion Picture Opportunity Fund (MPOF)
  - $1.0 million in FY 2012 to expand the Virginia Tourism Authority’s Marketing Grant Program
  - $1.0 million in FY 2012 to supplement grant funding available through the Enterprise Zone Program to reduce pro-ration of payments to eligible grantees
  - $500,000 in FY 2012 to supplement the DHCD Virginia Main Street program
  - $400,000 to VEDP to promote regional collaboration
  - Finally, also included in higher education is $3.0 million in funding non-credit training classes at community colleges and $100,000 to expand the Virginia Career Pathways awareness program

Economic Development Incentive Payments

- Proposed amendments also include changes to a number of existing incentive payments based on adjustments in performance schedules of the impacted companies
  - An increase of $1.6 million in FY 2012 for Phase 3 Semiconductor Grant payments to Micron to reflect ongoing commitments related to their expansion
  - An increase in Virginia Investment Partnership (VIP) program appropriations of $751,948 in FY 2012 to reflect commitments to companies that have met performance requirements relating to job creation and capital investment
  - Transfer of $3.0 million of grants to Rolls Royce from FY 2011 to FY 2012 to reflect slower than anticipated ramp-up of their facility
  - Reduction in the appropriation for the Biofuels Production Fund from $4.8 million to $4.5 million in FY 2012 based on anticipated production levels
  - Removal of $5.5 million that had been included for the Ignite Institute in Fairfax County – this project did not come to fruition

Commerce and Trade Agencies

- Virginia Economic Development Partnership
  - Restores $697,997 GF of administrative reductions in FY 2012 that had been included in Chapter 784
  - Proposes an increase of $379,095 GF in FY 2012 for the Virginia Commercial Space Flight Authority to level fund this entity at the FY 2011 level
  - Reduces funding for the Virginia Biotechnology Wet-Laboratory Program created last Session by $600,000 in FY 2012
  - Includes savings of $113,543 in FY 2012 through turnover and vacancies, reduced IT costs and a reduction to the Virginia National Defense Industrial Authority housed in VEDP
- Virginia Tourism Authority
  - Proposes $1.0 million GF in FY 2012 to promote OpSail 2012, an event commemorating the Bicentennial of the War of 1812 and the history of the U.S. Navy
  - Reduces funding for radio and television advertising as well as funding for the Outdoor Advertising Association, the Virginia Association of Public Television and Radio and the “See Virginia First” programs by a total of $250,630 in FY 2012

Commerce and Trade Agencies

- Department of Business Assistance
  - Includes $370,000 in FY 2012 to restore administrative reductions adopted in Chapter 784
- Department of Housing and Community Development
  - Provides pass-through grant of $1.9 million GF in FY 2012 for the Fort Monroe Authority. These amounts level-fund the entity at FY 2011 levels. Also included in Capital is $2.0 million for infrastructure improvements
  - $64,930 each year from the general fund to reflect dues increases for the Appalachian Regional Commission
  - Proposes non-personal service savings of $200,000 in FY 2011 and $211,224 in FY 2012. The majority of these come from lower than anticipated moving, rent and parking costs at their new location
  - Proposes a 33% reduction in FY 2012 for child services coordinators at homeless shelters for a savings of $166,547

Commerce and Trade Agencies

- Virginia Employment Commission
  - Proposes $8.9 million GF and $3.0 million NGF for the payment of interest owed to the federal government on loans that were necessary to pay mandatory unemployment compensation benefits
  - Federal law stipulates that interest cannot be paid from the Unemployment Insurance Trust Fund
  - The nongeneral funds come from available penalties and interest collected by VEC from overpayments; the remainder is proposed to be funded from the general fund
  - Language also is included to express the intent that sufficient funds be provided in FY 2013 for an additional interest payment estimated at $8.3 million
- Department of Mines, Minerals and Energy
  - Includes $924,934 GF in FY 2011 in pass-through funding to reimburse 5 non-state entities for their share of the Virginia Dominion Power rebate for services that were paid for by these entities
  - Restores $750,000 in FY 2012 for the coal mine safety operating budget
  - Proposes $337,500 in FY 2012 for a grant to a company located in Danville that will be entitled to a grant under the Solar Photovoltaic Manufacturing Incentive Grant
  - Captures savings totaling $101,452 in FY 2011 and $202,903 in FY 2012 from reducing discretionary costs and transferring certain costs to federal fund sources

Agriculture and Forestry

Agriculture and Forestry

- Amendments within the Secretariat of Agriculture and Forestry were minor and in total reflect net adjustments of just over $500,000 against a GF base of $80.2 million
- VDACS
  - $1.2 million of GF spending, offset by $563,390 of GF savings
  - Spending items include a proposed increase of $400,000 in FY 2012 for the Purchase of Development Rights matching program, increasing the program to $500,000
  - Also included is an increase of $278,708 each year to accurately reflect the amounts collected from the wine liter tax that are to be deposited into the wine fund pursuant to legislation adopted last Session
  - Remaining spending includes $185,962 in the second year to meet water quality standards and $78,710 to meet federal requirements for dairy regulation
  - Savings were generated by reducing discretionary expenditures and shifting certain expenditures to federal funds. The largest savings come from transferring 3 positions to NGF sources
- Department of Forestry
  - Includes one savings item, totaling $139,954 in FY 2011 and $279,908 resulting from holding 4 positions vacant and then eliminating the positions in the second year
  - One spending item is the provision of $286,719 in FY 2012 for the purchase of rolling stock through the MELP program

Transportation

VDOT

- Governor's amendments for transportation reflect the general fund portion of the transportation package announced earlier in December
- In total, he proposes $150.0 million from the FY 2010 GF surplus/year-end balances and other GF revenues be used to capitalize the Virginia Transportation Infrastructure Bank (VTIB), as follows:
  - $32.7 million from the 2/3 of the GF surplus required to be deposited into transportation pursuant to the Code
  - $16.4 million from the remaining 1/3 of the GF surplus that must be used for nonrecurring expenditures
  - $101.0 from other available FY 2010 GF year end balances and resources the Governor chose to appropriate for transportation
- In addition, $250.0 million of the existing VDOT NGF revenues identified in the audit completed this fall will be deposited into the Infrastructure Bank being created by stand-alone legislation
- Also included in the amendments are adjustments reflecting the Commonwealth Transportation Fund forecast update, totaling $104.3 million in FY 2011 and $408.5 million in FY 2012

Other Transportation Agencies

- Within the Secretary's office there is a proposal to transfer funding and one position from VDOT to establish a new PPTA "Czar" position
- Few amendments, generally technical in nature, are included in the other transportation agencies
- At the Virginia Port Authority two amendments reflect the lease and security costs associated with the VPA's takeover of APM Maersk Terminal in Portsmouth
  - This includes $46.8 million NGF in lease costs in FY 2012 and $900,000 in contract security costs
- Also included at VPA is $1.0 million to address a shortfall in the Authority's retirement plan (which is outside of VRS)
- The only changes in either DRPT or DMV reflect the transfer of funding for the oversight Board for the Washington Metropolitan taxi service from DRPT to DMV
- There are no amendments at the Department of Aviation

Public Safety

Department of Corrections

- Proposes $8.1 million GF in FY 2012 and 18 positions for increased inmate medical costs
  - Additional positions are included because DOC has determined it can provide dental services to inmates more cost-effectively than contracted prison healthcare contractors can
- Proposes $2.2 million GF, $1.0 million NGF, and 45 positions to add probation and parole officers to address caseload issues and to improve offender reentry
- Increases the NGF appropriation for Correctional Enterprises by $3.0 million NGF in FY 2011 and $3.5 million NGF in FY 2012 to account for additional sales of inmate-made goods
- Uses $3.0 million in additional out-of-state inmate revenue to provide $500,000 NGF in FY 2011 and $1.0 million NGF in FY 2012 to develop automated medical records for inmates and to transfer $1.5 million to the general fund

Reentry Related Proposals

Corrections

- Includes the transfer of $1.8 million GF and 25 positions from the Department of Correctional Education, representing the consolidation of similar Offender Workforce Development reentry services within one agency
- Includes language designating DOC as a federal bonding coordinator
  - DOC would provide fidelity bonds purchased with funds from the Contract Prisoners fund to released offenders when a condition of employment

Criminal Justice Services

- Includes language directing that Byrne/JAG grants be provided for various reentry efforts
  - Behavioral Health and Developmental Services – for a probation and parole and CSB jail diversion program; forensic discharge planners; training on veterans' issues for local crisis intervention teams; and cross systems mapping for juvenile justice and behavior health
  - DOC – for community residential programs for female offenders; a pilot day reporting center; a pilot program where non-violent offenders would receive rehabilitative services and housing in jail rather than prison
- Proposes language studying the education and training services available in jails and juvenile detention centers, as well as any barriers to the provision of these services or any gaps in those services

Juvenile Justice

- Includes $675,000 NGF each year from a federal Second Chance Act grant for juvenile reentry services

Sheriffs and Jails

- Proposes $8.3 million GF in FY 2011 and FY 2012 to increase funding for law enforcement and court services
  - Although additional GF support was provided to sheriffs' offices to offset the rejection of the proposed public safety fee, the Compensation Board was not aware this fee had been eliminated. The agency mistakenly built the proposed NGF appropriation into sheriffs' base budgets
- Includes $7.4 million GF in FY 2011 for jail per diems
- Proposes $1.3 million GF and an additional 92 positions in FY 2012 to account for the expansion of the Blue Ridge Regional Jail's Amherst facility
- Distributes a reduction of $541,090 GF to sheriffs as part of eliminating state funding for liability insurance and surety bonds

Department of State Police

General Fund Actions

- Proposes an increase of $5.9 million GF in FY 2012 to provide maintenance of the STARS radio system
- Produces $745,260 GF in savings in FY 2011 based on the actual costs of initiating Basic Trooper Schools

Nongeneral Fund Actions

- Reduces revenues for the Insurance Fraud Program by $2.4 million NGF in FY 2012 to reflect lower insurance policy proceeds
- Removes $606,657 and 16 positions previously allocated to Dulles Toll Road enforcement – assumed by Metropolitan Washington Airports Authority
- Provides 5 NGF positions from a federal grant to prevent internet crimes against children and 14 NGF positions to increase patrols on I-495 during expansion of the HOV lanes
- The sale of 2 older helicopters generates $2.6 million in additional revenue

Department of Veterans Services

- Includes $4.0 million NGF in FY 2012 to reflect the full year revenues for the operation of the Sitter-Barfoot Veterans Care Center
- Adds $300,000 NGF for the Wounded Warrior program reflecting a federal grant for the provision of services to veterans in rural areas
- Adds $280,000 NGF and 2 positions to continue the resale and installation of burial vaults at Virginia's veterans cemeteries
- Proposes $387,164 GF to ensure veterans cemeteries meet national shrine standards
  - Includes filling 5 vacancies and purchase of heavy equipment to prepare burial sites and maintain grounds
- Proposes $82,306 GF and a position to help localities establish a County Veterans Service Officer program
  - The position would provide training and materials – localities would be responsible for the costs of any services they provide

Military Affairs

<u>Military Affairs</u>

- Proposes $2.4 million in FY 2012 to improve the energy efficiency of state armories
- Proposes $200,000 NGF to conduct facility repairs at cottages and trailers on Camp Pendleton in Virginia Beach
- Includes GF reduction of $81,609 in FY 2011 reflecting lowered state match for Commonwealth Challenge program
- Proposes GF reduction of $110,847 in FY 2012 reflecting reduction in rent from moving out of Washington Building to agency-owned property in Sandston

Other Public Safety Reductions

- Juvenile Justice – Includes reductions of $115,000 GF in FY 2011 from capturing balances and $960,000 GF in FY 2012 from supplanting GF costs with DJJ Child Support Enforcement balances
- Forensic Science – Includes GF reductions of $346,826 in FY 2011 and $404,000 in FY 2012 from financing replacement of scientific equipment
- Correctional Education – Proposes GF reductions of $425,000 in FY 2011 from capturing balances and $400,000 in FY 2012 from reductions in caseloads due to prison closings
- DCJS – Proposes a GF reduction of $83,000 in FY 2012 from consolidating DCJS staff on one floor of the Washington Building
- VDEM – Includes GF reductions in FY 2012 of $146,402 from reducing operating costs, supplanting GF position costs with federal funds, and holding an HR position vacant

Natural Resources

Water Quality Improvement Fund

- Includes $36.4 million GF for deposit into the WQIF, representing the statutorily-required deposit of 10 percent from any year-end GF surplus
- The total deposit is sub-divided as follows:
  - $32.8 million GF is proposed for DCR to control nonpoint source pollution
    - $14.0 million GF is transferred to the Virginia Natural Resources Commitment Fund, which supports implementation of agricultural best management practices
    - $18.8 million GF is for use as determined by DCR
  - $3.6 million GF is proposed for DEQ to control nutrient discharges from wastewater treatment plants
- Language specifically prohibits transferring any portion of the deposits to the WQIF Reserve Fund
  - Fund was created to ensure funding was available for WQIF purposes when no surplus or other funding was available

Land Conservation Funding

- Proposes an additional $2.0 million GF for land conservation, which is allocated as follows:
  - $1.0 million GF is designated for the DCR's Virginia Land Conservation Fund
    - The fund is used to support open-space preservation by the Virginia Outdoors Foundation, state agencies, and other organizations
  - $1.0 million GF is designated for the Department of Historic Resources for deposit to the Civil War Historic Site Preservation Fund
    - This fund provides grants to nonprofit organizations for either out-right purchase or purchase of easements
    - Nonprofit organizations must provide at least $1 in matching funds for each $1 from the fund

Other Proposed Funding

- Provides $1.8 million NGF in FY 2012 for DGIF's boating education and safety and boat titling and registration programs
- Proposes $120,000 GF in FY 2011 and FY 2012 to fill VMRC Marine Police positions held vacant to offset the agency's VITA technology bill
- Includes $97,917 GF and $16,148 NGF each year to provide a collections manager and part-time grant development writer for the Virginia Museum of Natural History
- Adds $25,657 GF in FY 2011 and $74,390 GF in FY 2012 and 1 position for DEQ to issue, monitor, and enforce renewable energy permits

Proposed Budget Reductions

<u>DCR</u>

- Includes GF savings of 387,809 in FY 2011 and $294,600 in FY 2012 from capturing turnover and vacancy savings, eliminating information technology costs, supplanting GF position costs, and reducing funding for state park visitor centers

<u>DEQ</u>

- Proposes GF savings of $531,229 in FY 2012 by eliminating three positions, eliminating water supply planning grants, and reducing water quality monitoring contracts
- Incorrectly includes $827,815 GF in savings from the Air Mobile Source Inspection Program
  - Represents a reduction in NGF program balances and should have been a Part 3 transfer
- Proposes to save $210,000 GF within Central Accounts by eliminating dues for the Potomac River Interstate Commission, Ohio River Valley Water Sanitation Commission, and Southeastern Enforcement Network

<u>DHR</u>

- Reduces funding for the restoration of Montpelier by $11,965 GF in FY 2012 and $147,040 GF in FY 2012
  - Funding will still continue for Montpelier even with these reductions

<u>VMRC</u>

- Proposes GF savings of $109,577 in FY 2012 by transferring the costs of two Marine Police positions to federal funds

Technology

Central Accounts Actions

- The Governor's proposed amendments include an additional $28.1 million GF in 2011 and $30.2 million GF in 2012 to assist 73 state agencies with their VITA technology bills
  - The costs of these agencies' VITA bills is offset by GF savings from other state agencies
- Increased VITA billings for 11 state agencies represent 89 percent of total:

Agency	FY 2011 Amount
Department of Accounts	$1.3 million
Behavioral Health and Developmental Services	$2.5 million
Department of Corrections	$2.6 million
Department of Emergency Management	$2.1 million
Department of Environmental Quality	$800,000
Department of Forensic Science	$1.4 million
Department of General Services	$1.0 million
Department of Health	$1.9 million
Department of Juvenile Justice	$2.0 million
Department of Mines, Minerals, and Energy	$1.6 million
Department of Taxation	$7.8 million

Other Technology Actions

<u>VITA</u>

- Includes $1.0 million GF to restore double-counted reductions in VITA overhead charges
  - These reductions were accounted for in the new internal service fund rates
  - A corresponding reduction of $360,191 in nongeneral fund agency transfers is included in Part 3 of the budget
- Proposes $90,000 NGF to procure a new contracts management system for use with state agencies and within VITA
- Eliminates appropriations of $1.5 million NGF in 2011 and $1.8 million NGF in 2012
  - Funding had been provided for repaying the agency's working capital advance, which was used for the development of new centralized accounting and budgeting systems
  - Source of funding was savings in durable medical equipment reimbursements normally flowing into the general fund, which the 2010 General Assembly reaffirmed
- Additional Reductions:
  - Proposes savings totaling $53,009 in FY 2011 and $172,036 in 2012 from capturing turnover and vacancy savings and supplanting general fund costs with agency NGF funds
  - These actions represent the components of the agency's reduction plan

<u>Innovation and Entrepreneurship Investment Authority</u>

- Proposes savings of $50,238 GF in FY 2011 and $50,000 GF in FY 2012 from elimination of a federal lobbying contract

General Government

Judicial Department

Spending Actions

- Includes $5.4 million each year to reflect higher than projected expenditures for the criminal fund
  - Includes language requiring the Executive Secretary to analyze factors contributing to the growth in expenditures for guardians ad litem under the criminal fund
- Proposes additional funding of $282,591 each year for the involuntary mental commitment fund

Resource Actions

- Adjust assumptions/language related to judicial vacancies to reduce the expected reversion to the GF by $1.7 million
  - Reduce expected savings in FY 2012 from $6.5 million to $4.8 million
  - Adjustment due to less retirements than previously estimated, language does not authorize the filling of any actual vacancies
  - Language adjusted to allow savings to be realized from other sources with the Judicial Department
- Amendment in Part 3 transfers $5.0 million in cash balances at the Virginia State Bar to the GF

Office of Administration

Spending Actions

- Proposes spending of $342,122 GF each year to extend the warranties on laboratory equipment at the Department of General Services (DGS)
- Proposes funding of $200,000 GF in FY 2012 for improvements to the servers for the Division of Consolidated Laboratories at DGS

Savings Actions

- Includes savings at the Compensation Board of $1.1 million in FY 2012 from recovering 100% of the cost for liability insurance and surety bond premiums paid on behalf of the constitutional officers
  - Savings of $1.7 when including the sheriffs offices
- Supplants $167,526 GF in FY 2012 with revenue from NGF sources at the DGS
- Recommends savings at the Department of Human Resources Management of $205,000 GF in FY 2012 from creating an internal service fund and charging agencies for DHRM's personnel management information systems costs
  - No funding has been provided for agencies to cover this new cost
- Recommends savings with the State Board of Elections of $233,428 GF in FY 2012 from a 4% reduction in compensation to local electoral boards and registrars

Finance Secretariat

Spending Actions

- Provides $975,728 GF in FY 2012 to fund increase rent cost related to the Department of Taxation's new processing facility
  - In addition, the budget includes $240,000 GF in one time cost for the cost of moving into the new processing facility

Savings Actions

- Assumes savings for the Department of Taxation of $327,633 GF in FY 2011 and $1.0 million in FY 2012 from reduced expenditures for IT consultants
  - Proposes to convert 10 IT contractors to full time classified positions
- Proposes savings of $829,936 GF in FY 2012 in expenditures for disaster recovery planning at the Department of Taxation
- Includes savings of $389,000 GF in FY 2012 from eliminating the annual mailing of individual tax forms
- Includes savings of $100,000 GF in FY 2012 from requiring employers with an average tax liability of at least $1,000 and a withholding requirement of $500 or more to file their forms and payments electronically

Finance Secretariat

<u>Savings Actions</u>

- Proposes additional savings for the Department of Taxation of $490,958 in FY 2012 from a variety of actions
  - Includes 3 proposed layoffs
  - Includes vacating one of the floors currently occupied at Main Street Centre
- Includes savings within the Department of the Treasury of $216,514 GF in FY 2012 from various actions
  - Includes savings of $112,492 from renegotiating the banking services contract

<u>Language Amendment</u>

- Includes language allowing the Governor to spend all of, or any portion of, the $50 million reserve set aside for the FY 2013 Rainy Day Fund deposit, if needed to cover any unfunded federal mandates or for cost incurred related to declared emergencies