

## Report on Governor and Jt. Conference Committee Actions 2006-08 Budget Bill (HB5002) Language Changes

### Sources of Information

The 2006-08 Budget Bill from the Special Session (HB5002 which amends HB30 from the original 2006 Session) and Joint Conference Committee Amendments are available at <http://leg2.state.va.us/MoneyWeb.NSF/Bud2006a>.

The Governor's (Warner) Executive Budget Document is available at <http://dpb.virginia.gov/budget/06-08/buddoc06/buddoc.htm>. Governor Kaine's amendments are available at <http://dpb.virginia.gov/budget/06-08/GovernorsAmendments.pdf>.

The Office of State Governmental Relations maintains the most recent analysis of the Budget Bill and the 2006 General Assembly Session at <http://www.virginia.edu/governmentalrelations/>.

### Restructuring Related

*Management Agreement* – **Governor** approves the management agreement for VT, W&M, and UVa. Provides that the provisions of the management agreements will prevail over any conflicting provisions of the Appropriation Act unless specifically indicated that it is intended to override or supersede a section of the management agreement. **JCC** strikes all of this language due to HB 1502 and SB 675. (Item 4-9.0)

*Memoranda of Understanding* – **Governor** provides application process for institutions who have not entered into management agreements but wish to enter into memorandum/a of understanding. (Item 4-9.05)

*Assessment of Institutional Performance* – **Governor** introduces his proposed institutional performance measures. **JCC** amends the proposed performance measures to reflect the principles of the measures approved by SCHEV in October 2005 and adds language for the Governor to develop standards to assess the extent to which an institution is well-managed in personnel, capital outlay, and procurement no later than October 1, 2006. (Item 4-9.06)

*Secretary of Education* – **Governor** removes the general statement regarding strategic plans and statewide and institutional goals which previously appeared in the Secretary of Education section. (Item 126)

*Articulation Coordination* – **Governor** provides \$85,033 in 2006-07 and \$91,493 in 2007-08, along with 1 position, to SCHEV to coordinate articulation agreements from two year colleges for compliance with the Restructuring Act. (Item 145)

*Restructuring Coordinator* – **JCC** provides 2 FTEs and \$278,500 for two positions to conduct necessary analysis and coordination in support of restructuring efforts. (Item 145)

*University of Virginia* – **Governor** adds language to each college and universities' agency summary stating that the item includes general and nongeneral fund appropriations to support institutional initiatives that help meet statewide goals in the Restructuring Act. Additionally, each sponsored program and auxiliary enterprise item includes "a sum sufficient, estimated at \$xxxx" appropriation. Tuition and fee language and base adequacy funding language from the

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2004-06 Appropriation Act has been removed. (Item 192; also all other college and university items)

*Sum Sufficient NGF E&G Appropriation* – **Senate** includes language that the “E&G Higher Education Operating” appropriation shall be considered a sum sufficient and an estimate of revenue collected for E&G programs. (Item 192 for UVa; also in VT and W&M items)

*Sum Sufficient Capital Outlay Blanket Authorization* – **Governor** provides a blanket authorization for the Medical Center as allowed under the Restructuring Act. This was established for the Academic Division in the 2004-06 Appropriation Act. (Item C-134)

*Sum Sufficient Capital Outlay Blanket Authorization* – **JCC** removes blanket authorization previously provided to College at Wise, suggesting that the language is only available to those with signed MOAs with the Secretary of Administration. (Item C-140)

*Secretary of Finance* – **Governor** removes language regarding the continuation of decentralization programs from the Secretary of Finance item. (Item 252)

*Automatic Re-appropriations* – **Governor** modifies language to allow for automatic re-appropriation for all balances at institutions of higher education; a change from prior year which provided for specific automatic re-appropriations for E&G programs which meet management standards prescribed by the Governor; community education and public service programs; and student financial assistance. (Item 401.05.1.a)4))

*NGF Capital Outlay Decentralization Programs* – **Governor** makes all existing pilot programs prior to Chapter 912, 1996 Acts of Appropriations permanent. Decentralized programs of institutions with executed memoranda of understanding shall remain in effect until revoked. (Item 4-5.06.c)

*Exemption from Capital Negotiation Provisions* – **Governor** adds language exempting decentralized programs of institutions with executed memoranda of understanding from competitive negotiation provisions regarding the not-to-exceed amount of \$100,000 for a single project, the not-to-exceed sum of \$500,000 for all projects performed, and the option to renew for two additional one-year terms. (Item 4-5.06.f)

*Exemption from Real Property Lease Provisions* – **Governor** exempts institutions meeting the conditions in the Restructuring Act from real property lease provisions. (Item 4-5.07)

*Exemption from Surplus Property Provisions* – **Governor** authorizes institutions meeting the conditions in the Restructuring Act to sell or lease surplus real property valued at less than \$5 million and possessed/controlled by an institution. (Item 4-5.09)

### **SOM and/or Medical Center Related**

*Generalist Initiative* – **Governor** modifies language in SCHEV, VCU, EVMS, and UVa sections as requested by VCU, EVMS, and UVa. (Item 145)

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*Family Practice* – **Governor** adds language, as requested, in UVa section to provide same exemption from across the board budget reduction as provided to VCU in the prior year. (Item 192)

*Physician Indigent Care* – **Governor** deletes language, as requested, in UVa and VCU specifying funds to support medical education due to unreimbursed physician indigent care. Funding remains as part of the University's base budget. (Item 192)

*Joint Commission on Healthcare* – **JCC** provides \$200,000 and two positions in each year for the Joint Commission on Health Care. (Item 11)

*Brain Injury Services* – **JCC** requires JLARC to report on the availability of brain injury services in Virginia, including the extent of brain injury, the array of treatment available, how other states have approached brain injury services, and how funding is allocated and expended to meet the needs across the Commonwealth (Item 21)

*Trauma Centers* – **JCC** provides additional funding (\$1.9 million in each year) to Virginia hospitals with trauma centers to offset uncompensated care losses attributable to treating uninsured patients, inadequate reimbursement from public payors, and the need to maintain operations in a state of readiness. (Item 286)

*Federal Upper Limits* – **Governor** deletes language which previously stated: "Efforts to maximize federal upper payment limits for the state academic health systems and academic health systems that operate under a state authority that result in savings above the amounts assumed in this Appropriation Act to the Medicaid program shall be passed through to those health systems so long as they demonstrate a financial need for the costs of providing indigent health care services."

*Physicians at State Academic Health Systems* – **Governor** revises language as follows:

*To maintain funding levels for indigent care, the Department of Medical Assistance Services shall have the authority to amend the State Plan of Medical Assistance Services to reimburse physicians who are faculty affiliated with Type I hospitals or related universities state academic health systems and academic health systems that operate under a state authority.* The amount of the supplemental payment shall be based on the difference between to the upper payment limit for these services as permitted by federal Medicaid law and regulation approved by the Center for Medicare and Medicaid Services and the current payment. (Item 302)

*Medicaid Payment for Children's Services* – **Governor** introduced funding and language to increase Medicaid physician payments for children's services by 3% beginning July 1, 2007. **JCC** adds funding and modifies language to increase Medicaid physician payment rates by 5% in each year. (Item 302)

*Advisory Committee on Electronic Health Records* – **JCC** establishes this committee to encourage the adoption of electronic health records throughout the Commonwealth. (Item 293)

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#### Capital Outlay

*Maintenance Reserve* – **Governor** includes additional regulations that provide that:

- The first priority of any agency in requesting capital outlay appropriations should be maintenance reserve. (Item 4-4.01.b.2)
- Each agency head must provide a plan to DPB for the use of MR funds prior to usage, with the first priority given to roof repairs.
- Second priority shall be for deferred maintenance projects addressed in FICAS as currently or potentially critical because they must be addressed in the next 12 months.
- Agencies may transfer funds to supplement operating expenses at the approval of DPB provided that such expenses are accounted for separately. (Item 4-4.01.5.c.1-3) **JCC** removes this language regarding the transfer of maintenance reserve funds to the operating budget.

*Office Space Consolidation and/or Relocation* – **Governor** provides for the DGS and DPB to establish a line of credit to support fixed and one-time costs associate with office consolidation or relocation strategies, with the repayment from cost savings and efficiencies realized. (Item 3-2.03.c, page 482) If such move does not qualify as a capital lease, excludes these projects from the capital outlay and approval process. (Item 4-4.01.a.5)

*Capital Outlay Plan* – **JCC** directs SCHEV, with help from House Appropriations, Senate Finance, DGS, and DPB, to develop a six year capital outlay plan for higher education, including affiliated entities, considering current funding mechanisms for public institutions and mechanisms to support private institutions. (Item 145)

*Capital Project Planning* – **JCC** adds language that appropriations for capital project planning shall be used as specified after determining that (1) project cost is reasonable; (2) project remains a highly-ranked capital priority for the Commonwealth; and (3) the project is fully justifiable from a space and programmatic perspective. (Item C-0)

*Necessary Repairs and Improvements* – **Governor** creates a \$1 million reserve for agencies and institutions to make necessary repairs and improvements. **JCC** eliminates. (Item C-326)

#### Compensation and Benefits

*Nov 25, 2006 Salary Increase* – **Governor** provides for a 3% increase for classified employees receiving a rating of at least “contributor.” Provides for an average 3% increase for part-time teaching and research faculty, all administrative and professional faculty, and graduate teaching assistants. Provides for an average 4% increase for UVa full-time teaching and research faculty. Non-general funds will be required to fund 59% of this item. **JCC** adds 1% to classified employees, bringing their total increase to 4%. (Item 461)

*Nov 25, 2007 Salary Increase* – **JCC** provides for an average 3% increase for all classified employees, which will vary per employee based upon evaluation of performance. (Item 461)

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*State Agency Head Compensation* – **JCC** creates a joint subcommittee to develop a plan for modernizing agency head compensation. DHRM, VRS, and all agencies are directed to provide technical assistance as necessary (Item 1)

*HR Pay Practices* – **Governor** authorizes agency heads, specifically including the Director of the University of Virginia Medical Center, to utilize an amount equivalent to 0.5 percent of salaries to implement pay practices to recruit, retain, and address salary compression for classified employees. (Item 461)

*State Contribution Rates* – **Governor** proposes state contribution rates at:

- State Employee Retirement System – 5.74%
- Virginia Law Officers Retirement System – 14.96%
- Group Life Insurance Program – 1.22%
- Retiree Health Care Credit – 1.21%
- VSDP – 1.78%

**JCC** lowers group life and retiree health care credit contribution rates; raises retirement rates in the second year. (Item 461)

*Equal Opportunity* – **Governor** inserts the following statement into the Appropriation Act:

It shall be the policy of the Commonwealth of Virginia to ensure equal opportunity in all facets of state government. Discrimination on the basis of race, sex, color, national origin, religion, age, sexual orientation, or political affiliation, or against otherwise qualified persons with disabilities shall at all times be prohibited. (Item 4-6.00)

**JCC** removes this statement.

*Payment of Wages or Salary* – **Governor** provides that wages or salaries paid to state employees shall be by direct deposit or by credit to a prepaid debit card or account from which the employee is able to withdraw or transfer funds. (Item 4-6.01.e.2)

*Year-end Pay Periods* – **Governor** provides that state employees will be paid on 7/3/06 for the period 6/10 – 6/24/06 and will be paid on 7/2/07 for the period 6/10 – 6/24/06. July 1, 2006 and 2007 will occur over a weekend. This language is apparently added to make sure the final pay period of a fiscal year remains in the subsequent fiscal year in order to keep “lag pay” in effect. (Item 4-6.01.k.1.b)

*Higher Ed Staffing* – **Governor** deletes information about higher education staffing patterns, information required to be submitted to DHRM. (formerly Section 4-7.01)

*Upward Feedback for Supervisors* – **JCC** requires DHRM to establish an upward feedback program as part of the evaluation process for supervisors. (Item 77)

*VSDP* – JCC provides \$75,000 in one year for VRS to conduct a post-implementation review of VSDP. (Item 473)

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#### Research

*Research Opportunity Fund* – **Governor** provides for a non-reverting fund of up to \$50 million in order to allow institutions to quickly respond to opportunities outside the normal budgeting process. **JCC** eliminates this. (Part 5, Enactment 2-5)

*Sponsored Program Investment Yields* – **Governor** provides that the interest on sponsored programs and indirect cost recoveries will be consider NGF. The Comptroller will credit institutions quarterly with interest earnings. (Item 3-4.02) This language is apparently not eliminated by the Senate or House although they provide other language in other sections.

*Higher Education Research Initiative* – **JCC** adds language requiring reports each October, beginning in 2007, including how funds are used, the amount of federal and private dollars leveraged, collaborative efforts in support of private industry, the number of faculty recruited, resulting federal or grant support from new hires, level of instructional activity by these faculty, impact of research activities on undergraduate instruction, use of grad student aid funds, and recommendations for future investment. (Item 194)

*Commonwealth Technology Research Fund* – **JCC** provides \$5 million in first year for the Commonwealth Technology Research Fund to enhance capability of higher ed to commercialize technologies developed through their research, replacing the Governor's proposed \$10 million Collaborative Commercialization Fund. (Item 250)

*Regional Research and Development Centers* – **Governor** provides \$2.5 million over two years and proposes a new initiative to create four regional research and development centers through the Dept of Housing and Community Development. **JCC** reduces second year funding by \$660,000 to develop two industry-focused regional research and development centers. (Item 104)

*Research-Related Entity Along I-81* – **JCC** authorizes the Governor to expend up to \$3 million from unappropriated balances to attract a research-related entity to the Commonwealth along Interstate 81. (Item 250)

*Dept of Economic Development* – **JCC** provides \$300,000 in each year to support modeling and simulation research specifically for an emergency management training simulation. (Item 250)

#### Other Higher Ed

*Base Adequacy Tied to Tuition* – **JCC** includes language for BOVs to take into consideration the impact of escalating college costs for Virginia families. Encourages BOVs to limit increases on tuition and mandatory E&G fees for in-state, undergraduates to the extent possible. (Item 192 for UVa and in all other college/university appropriations)

*Use of Debt* – **JCC** requires the APA to analyze the use of debt at state-supported colleges and universities, including the potential impact of affiliated (foundation) organizations on debt capacity. This review is to determine if the state needs to develop debt capacity guidelines for higher education. Report by December 1, 2006. (Item 2)

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*Reporting of Endowment and Private Gifts* – **JCC** exempts activity from public colleges and universities' private gifts, including endowment funds and unrestricted, from the APA reporting. (Item 2)

*Eminent Scholars Program* – **Governor** provides an additional \$439,000 in 2006-07 and \$878,000 in 2007-08 in matching funds, not yet allocated to higher ed institutions. **JCC** eliminates this additional funding. (Item 144)

*Nursing Enrollment* – **Governor** directs SCHEV and the Advisory Council on the Future of Nursing in Virginia to recommend performance criteria to be used in allocating future state funding to maximize the number of new graduates and to increase the supply of graduate nursing faculty by 9/1/2006. The Advisory Council is continued through 7/1/2008. (Item 165)

*Healthcare Workforce Task Force* – **JCC** creates Task Force to develop and recommend criteria for awarding additional state funds via a competitive grant process to innovative regional public-private sector partnerships to maximize the number of newly licensed nurses and to increase the supply of graduate nursing faculty. \$3 million (\$1.5 million in each year) in funding is provided, split evenly between Northern Virginia Community College and UVA. (Item 145)

*Dental Preceptorship Site at the College at Wise* – **JCC** directs SCHEV to examine the feasibility of creating a satellite campus of the VCU School of Dentistry on the campus of Wise. Report due by 10/1/2007. (Item 145)

*Virginia Microelectronics Consortium* – **Governor** provides \$1 million to VMEC. (Item 462)

*Virginia Encyclopedia Project* – **Governor** provides \$250,000 in each year for the Virginia Foundation for the Humanities to develop a comprehensive online encyclopedia of Virginia history and culture, to be unveiled in 2007 in time for the 400<sup>th</sup> anniversary commemoration and to support Virginia Folklife activities. **JCC** eliminates \$100,000 in each year related to the Virginia Folklife activities. (Item 192)

*College Law Enforcement and Security Services* – **JCC** provides \$176,000 and 2 FTEs in each year to develop specialized training and standards for campus police and security officers. (Item 391)

*Administrative NGF Increases* – **Governor** deletes language about having to notify SCHEV about administrative NGF increases. **JCC** restores language requiring institutions to notify and get authorization from SCHEV for administrative NGF increases. (Item 4-2.01.b.5.d)

*Virtual Library of Virginia* – **Governor** provides an additional \$766,000 in each year. \$397,000 in each year is earmarked to allow the participation of nonprofit, independent, private colleges and universities to participate. (Item 165)

*New College Institute* – **Governor** provides \$2.1 million in 2006-07 and \$2.4 million in 2007-08 to support the coordinated and cooperative development of postsecondary educational opportunities in Southside Virginia. **JCC** reduces funding to \$1.25 million in each year, along with an NGF match. \$300,000 general funds in each year will be used to create a Visiting

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Faculty Program in collaboration with UVa to deliver computer science and technology programs to the region. **Governor Kaine** amends this item to remove the specific funding and programs to be established with Radford, Longwood, and UVa. (Item 244)

*Southwest Va. Higher Ed Center* – **Governor** provides \$394,000 in each year. **JCC** provides an additional \$150,000 in each year. (Item 248)

*Tuition Assistance Grants* – **Governor** provides additional \$4.4 million in 2006-07 and \$8.9 million in 2007-08 for TAG program. No change in the maximum award of \$3,000 to undergraduates and \$2,200 to graduates. **JCC** provides an additional \$4 million in 2007-08 to increase undergraduate award to \$3,100 in the second year. (Item 143)

*Military Tuition Waivers* – **Governor** provides additional \$2.5 million in each year for military tuition waivers and expands the eligibility for two years from one year. (Item 143) **JCC** eliminates all \$9 million of funding for this program and provides that such students will now be given resident status. (Item 143)

*Brown v. Board of Education Scholarship Program* – **JCC** provides \$25,000 in each year to support Brown v. Board of Education Scholarship Awards Committee's operating costs. (Item 20.10)

*SREB Initiative to Increase Minority Doctoral Students* – **Governor** provides additional \$10,000 in 2006-07 and \$30,000 in 2007-08 to this program. **JCC** eliminates this additional funding. (Item 143)

*Faculty Salary Peer Groups* – **JCC** requires SCHEV to update the national peer groups for faculty salary comparisons by July 1, 2007. (Item 145)

*Financial Aid* – **JCC** requires SCHEV to present its recommendations for allocating GF need-based financial aid and explain any methodology which differs from the long-held goal to meet 50% of remaining need by November 15, 2006. (Item 145)

*Technology Enriched Learning Initiatives* – **JCC** adds language allowing SCHEV to create an advisory committee to assist in developing innovative, cost-effective, technology-enriched teaching and learning initiatives; improving cooperation between public and private institutions; improving efficiency and expanding the availability of technology-enriched courses; and facilitating the sharing of research and experience to improve student learning. (Item 145)

### Other

*Mileage Reimbursement Rate* – **JCC** include language and \$1.6 million in each year to increase the allowable mileage reimbursement rate from the current 32.5 cents/mile to the most recent federal reimbursement rate (currently 44.5 cents/mile). (Items 462 and 4-5.04)

*Modernizing Central Administrative Systems Through the Enterprise Applications Public-Private Partnership* – **JCC** provides \$5.5 million in each year to create the Enterprise Applications Public-Private Partnership Project Office to oversee the Partnership and fund initial



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activities. The purpose of the partnership to oversee the analysis of Commonwealth business systems and the procurement of replacement systems. It includes a statement that “all executive department agencies must comply with directives” from this partnership and that “institutions of higher education shall work cooperatively with the Project Office Director to ensure the successful completion of the activities.” Language also provides that any enhanced collections of debt (outlined below) will go to fund this project. (Item 54.10)

*Innovative Technology Authority (ITA)* – **Governor** provides \$1,000,000 in 2006-07 for operational support of the Innovation Identification and Acceleration program, also known as CIT CONNECT. This program will establish a consulting service line to match large-scale consumers with advanced technology companies. Federal government agencies, with both classified and non-classified activities, and Fortune 500 companies seeking advanced technologies will be matched to start-up, entrepreneurial developers of the desired technologies. **JCC** eliminates this funding. (Item 419)

*VITA* – **Governor** authorizes the CIO to withhold from agency appropriations for savings resulting from information technology and telecommunications operating efficiencies. (Item 422)

*Electronic Procurement* – **Governor** eliminates language that previously stated that charges would be withheld from agencies who were not executing the majority of its procurements through the state’s electronic procurement system. Now language reads simply that the e-procurement system will be finance by fees assessed to state agencies, institutions, and vendors. (Item 72)

*Department of General Services – Facility Inventory Condition and Assessment System (FICAS)* – **Governor** provides \$330,000 in each year for DGS to maintain and oversee the FICAS. Also includes statement that the general funds will be supplement by fees assessed to state agencies and institutions of higher education. DGS and DPB will develop guidelines for assessing such fees. (Item 73)

*Commonwealth Charge Card Rebate Fund* – **Governor** establishes this fund. Rebates earned in the statewide charge card program are deposited to this fund. The cost of the administration of the program and rebates due back to political subdivisions are appropriated to this fund. All remaining revenues are deposited to the general fund each year. (Item 254)

*Line of Duty Death and Health Benefits Trust Fund* – **Governor** establishes this fund to provide death benefits and health insurance benefits to certain public safety officers killed or disabled in the line of duty. (Item 262)

*Division of Debt Collection* – **Governor** revises language which previously set fees at 30% of all collections up to \$1.8 million. Revised language removes annual limit of \$1.8 million, but adds a requirement that at no time shall balances exceed a ceiling of \$400,000. If that occurs, 60% of collections will be returned to agencies, with 40% transferred to the general fund. **JCC** restores fees to 30% of all collections, leaves the new ceiling of \$400,000 for operating balances after expenses are covered, and directs the Attorney General to prepare a report on the most cost-

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effective strategies for improving Virginia's collections of accounts receivable by 10/15/2006. (Item 52)

*Department of General Services* – **Governor** transfers consolidated mail services in the Richmond metro area from Treasury to DGS. (Item 73)

*DHRM Performance Management Training* – **Governor** qualifies the requirement that DHRM provide performance management training with the addition of the phrase “within available resources.” (Item 77)

*State Government Productivity and Efficiency* – **Governor** provides \$4.5 million in 2006-07 and \$1 million in 2007-08 to support comprehensive re-engineering efforts aimed at increasing state government productivity and efficiency. This includes examining opportunities for enhanced collaboration or consolidation; re-engineering large and complex services to improve organization and effectiveness; and establish results teams to support new productivity projects and improve use of performance measurements. (Item 456)

*Vehicle Parking Spaces* – **Governor** provides that any lease of private parking spaces must be approved by DGS. (Item 4-6.04.c)

*Department of Minority Business Enterprises* – **JCC** requires the Department to report to the General Assembly on efforts to improve its effectiveness by 8/1/06. (Item 100)

*Withholding of Spending Authority* – **Governor** eliminated language added by the 2005 General Assembly session related to a quarterly assessment of current economic outlook and the public release of agency budget reduction plans prior to gubernatorial approval. **JCC** adds language back. **Governor Kaine** vetoes the language added by the JCC. (Items 4-1.02 and 4-8.02)