

**Report on Governor and Jt. Conference Committee Amendments to the
2006-08 Appropriation Act (HB/SB 29) and 2008-10 Appropriation Act (HB/SB 30)
Language Changes**

Sources of Information

The amended 2006-08 Appropriations Act (HB/SB29) and the amended 2008-10 Appropriation Act (HB/SB30) are available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2008>.

The University's Office of State Governmental Relations maintains the most recent analysis of the Budget Bills and the 2008 General Assembly Session at <http://www.virginia.edu/governmentalrelations/>.

2006-08 APPROPRIATIONS ACT (CABOOSE) (HB/SB 29)

Interest on Educational and General Balances – **Governor** increased GF appropriation by \$4M to reflect that an insufficient amount was originally appropriated to pay the interest earnings and credit card rebate incentive funding due under Restructuring. (Item 455.2, page 193)

Two Year College Transfer Grant – **Governor** eliminated \$1.6 million of the original \$1.8 million because the grants will not be issued until 2009-10. **JCC** removes remaining \$200,000. (Item 455.3, page 216)

June 30, 2007 Carryforward Balances – **JCC** reverts \$9M in year-end balances from VCCS, but not from any other higher education institution. (Item 455.4, page 217)

Commonwealth Technology Research Funds – **JCC** reverts \$1.1 million in unused balances after 2007-08 grant awards. (Item 455.4, page 217)

NGF Interest Earnings – **JCC** eliminates interest earnings allocated to agencies in both year one and year two. Higher education is exempt from this action. (Item 3-3.04, page 261).

College at Wise Capital Projects – **JCC** replaces unspent cash for the Drama Building project with VCBA debt. (Item C-0, page 231)

Academic Division Capital Project – **JCC** removes unspent cash from 07-08 for South Lawn project, replacing it in 09-10; **JCC** replaces unspent cash for the Ruffin Hall/Studio Art project with VCBA debt. (Item C-0, page 231)

Medical Center Capital Project – **JCC** removes unspent cash from 07-08 for the Emily Couric Clinical Cancer Center project, replacing it in FY09-10. (C-0, page 231)

Maintenance Reserve – **Governor** adds \$50M in 2007-08 to represent the first installment of maintenance reserve for 2008-10. Normal rules that 80% must be expended by year-end are suspended since this is intended for the subsequent year. **JCC** removes the \$50M allocation. (Item C-325, page 250)

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2008-10 APPROPRIATIONS ACT (HB/SB 30)

Restructuring Related

Interest on Educational and General Balances – **Governor** changes the deadline for payment of rebates on credit card purchases from August 15th to October 15th or as soon thereafter as deemed appropriate. (Item 467, page 417)

Virginia Commonwealth University – **Governor** includes language to approve VCU as a Level 3 Management Agreement institution. (Item 4-9.01, page 537)

Non-general Fund Revenues - **Governor** adds language exempting Level 3 Management Agreement institutions from the requirement that all non-general fund collections by public institutions of higher education shall be deposited in the state treasury and expended by the institutions of higher education in accordance with the appropriations and provisions of this act. (Item 4-2.01.b.1, page 503)

IT Facilities and Services - **Governor** adds language exempting Level 3 Management Agreement institutions from this section. (Item 4-5.04.b, page 519)

Health Related

Department of Medical Assistance Services (DMAS) – **Governor** adds new language to:

- Increases funds to reimburse UVa Medical Center for indigent health care costs to \$74.6 million (evenly split between GF and NGF) in the first year and \$84.3 million (evenly split between GF and NGF) in the second year. This is an increase from \$64.8 million (evenly split between GF and NGF) in 2007-08. (Item 306, page 277)
- DMAS is authorized to issue an RFP for fiscal agent for the Medicaid Management Information System. (Item 311, page 292)

Department of Medical Assistance Services (DMAS) – **JCC** captures Medicaid savings by reducing the rate of inflation included and reducing the operating rate per case rate. Also, DMAS cannot replace lost reimbursements to Type One hospitals from other payment mechanisms. (Item 306, page 289)

Compensation and Benefits

2008-10 Salary Increases – **Governor** authorizes a 3% July 1, 2009 increase for staff employees receiving a rating of at least “contributor” and an average 3% increase for all faculty and graduate teaching assistants. Non-general funds will be required to fund 59% of this item. **JCC** authorizes a 2% November 25, 2008 and a 2% November 25, 2009 increase for all staff, faculty, and graduate assistants. (Item 472, page 424)

Gain Sharing Program – **Governor** allows Secretaries of Administration and Finance to establish a program that allows for the sharing of cost savings from improved productivity and performance with agencies and employees. DHRM and DPB are to develop specific gain sharing program guidelines for use by agencies. Annual report is due by October 1st each year. (Item 472, page 423)

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Pre-Medicare Eligible Retiree Health Benefits Trust Fund – **Governor** creates said fund to pay health insurance benefits of retirees and dependents who are not yet eligible for Medicare. DHRM to work with VRS on investment of the fund. (Item 472, page 424)

Health Plan – **Governor** directs DHRM to explore options to promote value-based health choices aimed at creating greater employee satisfaction with lower overall health costs. It is the intent that savings are retained and used towards funding state employee salary or fringe cost increases. (Item 472, page 427)

State Contribution Rates:

- Group Life Insurance Program – **Governor** proposes 0.89%, down from 1%. General fund amounts estimated at \$2.45 million in the first year and \$2.55 million in the second year will be transferred from higher education representing the reduction in group life contribution rates. **JCC** proposes a rate of 0.82%. (Item 472, page 428)
- VSDP – **Governor** proposes 1.96%, down from 2.0%. General fund amounts estimated at \$868,000 in the first year and \$906,000 in the second year will be transferred from higher education representing the reduction in group life contribution rates. **JCC** proposes a rate of 1.94%. (Item 472, page 428)
- Retiree health insurance credit – **Governor** proposes 1.22%, up from 1.2%. General fund amounts estimated at \$445,000 in the first year and \$462,000 in the second year will be transferred to higher education representing the increase in retiree health insurance credit rates. **JCC** proposes a rate of 1.18%.
- **JCC** proposes a “pause in the funding of future actuarial liabilities of early retirement health insurance. General fund savings of \$6.7 million in the first year and \$7 million in the second year will be reverted from the state agencies. (Item 472, page 428)
- Virginia Retirement System – **JCC** increases amortization periods from 24 yrs to 30 yrs, saving \$27 million per year from general funds. Resulting rate is 6.23%. (Item 472, page 429)
- Health Insurance Fund – **JCC** proposes using excess balances in fund to reduce the employer rates for state employee health insurance program. (Item 472, page 429)

Positions and Employment - **Governor** adds language that the § 4-6.00 does not apply to Level 3 Management Agreement institutions with regard to participating covered employees, except to the extent a specific appropriation or language in this act addresses such an employee. (Item 4-6.06, page 534)

Research-Related

Commonwealth Technology Research Fund (CTRF) – **Governor** provides \$2 million in operating funds in the first year and \$8.5 million in operating funds and \$15 million in Equipment Trust Funds in the second year. These funds will be awarded on a competitive basis by the Commonwealth Technology Research Fund Grant Allocation Committee on proposals which provide for a high return of economic development. Awards will be matched on a dollar-for-dollar basis. Other items include: \$1 million in the first year and \$6.5 million in the second year for Jefferson Science Associates; \$1 million in the second year for the Hampton University Proton Therapy Institute; \$1.5 million in the first year and \$750,000 in the second year for the Virginia Coastal Energy Research Consortium. (Item 254, page 222)

JCC reduces CTRF operating funds to \$1 million in each year and eliminates proposed ETF; eliminates the proposed CTRF Grant Allocation Committee in favor of an Advisory Committee on Competitive

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Research and adds intention that grants will “encourage university collaboration, benefit economically distressed regions and/or underrepresented populations, and attract industry-sponsored research and development.” Also collaborations with HBCUs and other institutions will be positively considered. **JCC** reduces allocations to the Jefferson Science Associates to \$0 in the first year and \$6 million in the second year and to the Hampton University Foundation to \$500,000 in the second year. First year allocation to the Virginia Coastal Energy Research Consortium is increased to \$1.6 million. (Item 254, page 222)

Higher Education Research Initiative – **JCC** adds language requiring a report that demonstrates how the funds were used, federal/private funds leveraged, collaborative efforts with private industry, junior and senior faculty recruited, federal grants resulting from that recruitment, level of instructional activity conducted, impact of research on undergraduate instruction, the use of graduate student aid funds, and recommendations for future investment. (Item 199, page 189)

Virginia Biotechnology Research Partnership Authority – **JCC** provides \$50,000 in the first year to support the physical and programmatic activities directly benefitting two state labs located in the park. This begins to match voluntary contributions from private sector entities in the park. (Item 124, page 102)

Capital Outlay

Capital Leases – **Governor** adds language that the section doesn’t apply to Level 3 Management Agreement institutions. (Item 4-3.03.d, page 509)

Treasury Board Guidelines - **Governor** adds language that the section doesn’t apply to Level 3 Management Agreement institutions. (Item 4-4.01.b.3, page 510)

Conveyance of Interest to Foundations – **Governor** adds language that this section doesn’t apply to Level 3 Management Agreement institutions. (Item 4-4.01.s.1, page 514)

Facility Lease Agreements Involving Institutions of Higher Education - **Governor** adds language that this section doesn’t apply to Level 3 Management Agreement institutions. (Item 4-4.01.t.1, page 514)

Review of Alternative Financing Agreements - **Governor** adds language that this review doesn’t apply to Level 3 Management Agreement institutions. (Item 4-4.01.w, page 514)

Capital Outlay Delegations of Authority – **Governor** adds language that this does not apply to Level 3 Management Agreement institutions. (Item 4-5.06, page 522)

Conformance with Space Planning Guides – **Governor** removes language stating that “if space planning guides for any type of construction have been approved by the Governor or General Assembly, the Governor shall require capital projects to conform to such planning guidelines. **JCC** restores this language. (Item 4-4.01.m, page 666 of Chapter 847)

Energy Performance Standards – **JCC** includes language that all new and renovated (> 50% of assessed value) state facilities that are over 5,000 gross square feet must be designed and constructed with energy performance standards at least as stringent as the LEED rating system. (Item 81, page 69)

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Project Pre-Planning – **JCC** provides \$5.3 million for capital project pre-planning, contingent on the passage of a capital outlay bond bill. No breakdown on projects provided. (Item C-177.1, page 479)

Academic Division Capital Project – **JCC** replaces cash reverted from 07-08 for South Lawn project, replacing it in 09-10. (Item C-177.10, page 479)

Medical Center Capital Project – **JCC** replaces cash reverted from 07-08 for the Emily Couric Clinical Cancer Center project. (Item C-177.10, page 479)

Other Higher Ed

Tuition Moderation Incentive Fund – **JCC** includes a provision for additional general funds (\$1,580,000 to UVa and \$120,000 to the College at Wise in each year). This will be allocated in each year so long as the institution does not increase in-state undergraduate tuition and E&G fees by more than 3% + 1% for financial aid. The funding will not be available in the second year, if the institution increases tuition and E&G fees by more than 12% in the first year. (Item 254.1, page 224).

Equipment Trust Fund Debt Service – **JCC** includes a provision to amortize ETF debt over 7 years; it is expected that this will require us to hold all ETF equipment for 7 years. (Item 280, page 242)

Aerospace Engine Manufacturer Incentive – **Governor** provides \$1.3 million in the first year and \$9.4 million in the second year as an incentive for the location of such manufacturer in Virginia. This is the state's commitment towards funding for UVa and VT related to the Rolls Royce initiative. (Item 473, page 432)

Auditor of Public Accounts – **Governor** eliminates two sections from Chapter 847: (1) D. which required that the APA reporting include all appropriated funds and other sources under control of state-supported institutions, except the activity of private gifts and (2) E. which had the APA analyze debt for state supported institutions by December 1, 2006. (Item 2, page 10 of Chapter 847)

Commission of Access and Diversity – **Governor** provides \$20,000 in each year to support the Commission on Access and Diversity in Higher Education in Virginia as continued by HJR 202 of the 2000 Acts of the Assembly. (Item 30, page 18)

Virginia Teaching Scholarship Loan Program - **Governor** reduces by \$150,000 to \$558,000 in each year funding for a program to provide scholarships for undergraduate students in approved undergraduate or graduate teaching education programs. **JCC** restores budget reduction to a total funding of \$708,000 in each year. (Item 139, page 115).

Jobs for Virginia Graduates - **Governor** reduces by \$100,000 to \$400,000 in each year funding for this program. **JCC** restores budget reduction to a total funding of \$500,000 in each year. (Item 139, page 115).

K-12 Leadership Development Grants – **JCC** discontinues \$500,000 in funding for leadership development grants provided for school divisions to partner with Virginia higher ed institutions for a defined leadership development training program. (Item 140, page 150).

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Eminent Scholars - **Governor** includes a \$250,000 or 4% reduction in state match for eminent scholar professorships and adds language to allow the VCCS to participate in program. (Item 148, page 161)

Doctoral Nursing Loan Forgiveness Program – **Governor** eliminates this program, which provided \$750,000 for a loan forgiveness program for doctoral programs and \$750,000 for VCCS to address nursing workforce issues. (Item 145, page 187 of Chapter 847) **JCC** provides \$250,000 in each year directly to UVa “in order to maximize the number of newly licensed nurses and increase the supply of nursing faculty. (Item 197, page 189).

Department of Health Nursing Scholarships – **Governor** provides \$100,000 in each year for nursing scholarships and loan repayments; provides another \$200,000 in each year (also provided in 2007-08) for scholarships and loan repayments for nursing students pursuing an advanced degree towards becoming nursing faculty at the college level. (Item 289, page 260)

SCHEV Studies – **Governor** eliminates three SCHEV studies due to completion of the requirements to review faculty salary peer groups, need-based financial aid, and funding guidelines. (Item 145, page 188 of Chapter 847) **JCC** adds 2 new studies for SCHEV: (1) a review of enrollment patterns (increase in graduate degrees vs. decrease in undergraduate degrees) and the impact on salary benchmark analysis and (2) a study of Eastern Virginia Medical School to identify factors to ensure continued success. (Item 149, page 165)

Two Year College Transfer Grant – **JCC** eliminates \$1.5 million because the grants will not be issued until 2009-10. (Item 475, page 434)

Other

Virginia Enterprise Application Project (VEAP) – **Governor** increases working capital advance to fund project expenditures from \$20 million to \$30 million. **JCC** adds language that all executive agencies and institutions must comply with VEAP directives and requests and that the Director shall provide written notification to the respective secretary, Governor, and money committee chairs of any “unacceptable agency cooperation.” **JCC** also directs VEAP to establish data standards for all financial and information collection processes and a migration strategy to implement such standards, including which agencies have sufficiently modern accounting systems to adopt these data standards. **JCC** directs the VEAP director to provide a report on the requirements to develop and implement various enterprise-wide computer systems designed to modernize Virginia’s central administrative computer systems and data repositories. (Item 63, page 38)

Legal Settlements – **JCC** adds language requiring any settlement over \$250,000 that provides for the payment, conveyance, grant, forfeiture, assignment, or other distribution of moneys or of any property (whether real, tangible, or intangible) to settle the Commonwealth's interest or the interest of any department, agency, institution... must be deposited to the general fund. (Item 4-2.02, page 506)

Electronic Procurement System – **Governor** adds language that excess revenues generated from fees assessed to state agencies and institutions of higher education and vendors may be used to supplement funding of the procurement services. (Item 80, page 67)

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Department of Charitable Gaming - **Governor** moves this department to report under Department of Agriculture and Consumer Services (Item 100, page 83)

Department of Emergency Management – **Governor** moves funding for the statewide E-911 network and the Virginia Geographic Information Network from the VITA section. (Item 403, page 369) **JCC** restores this to VITA from the Department of Emergency Management. (Item 431.1, page 386).

IT Procurement – **Governor** proposed language that VITA relinquish authority and responsibility for procurement of IT goods and services to Department of General Services. **JCC** restores IT procurement authority to VITA. (Item 80, page 66 and Item 432, page 387)

Telecommunications Savings – **Governor** adds language that VITA shall absorb \$1.25 million annually from operational efficiencies based rebate to agency's telecommunications customers. **JCC** eliminates this proposal. (Item 434, page 389).

Decentralized IT Rates - **Governor** provides \$9.5 million in each year to state agencies for costs incurred as the result of new decentralized rates for IT services to be charged by VITA. (Item 473, page 433)

Study of VITA – **JCC** asks JLARC to study the quality, cost, and value of services provided by VITA, including the relationship between VITA and the ITIB, the procurement of IT goods and services, and the management of IT projects. (Item 29, page 17)

Budget Reduction Plans – **Governor** removes language requiring all budget reduction plans submitted to the Governor be forwarded to the Senate Finance and House Appropriations committees within 5 business days. **JCC** restores this language. (Item 4-1.02.d.6, page 651 of Chapter 847)

Productivity Incentive Initiative – **Governor** adds \$1.5 million in the second year to this initiative to support comprehensive reengineering efforts. **JCC** eliminates this increased budget, leaving \$950,000 per year. (Item 468, page 418).

Purchases Aimed at Government Productivity or Efficiency – **Governor** adds language that the Governor may authorize any state agency to purchase goods or services aimed at increasing state government productivity or efficiency using the procurement procedures outlined in the Public-Private Educational Facilities and Infrastructure Act. **JCC** eliminates the language added by the Governor. (Item 4-5.04.g, page 521)

NGF Interest Earnings – **JCC** eliminate interest earnings allocated to agencies in both year one and year two. Higher education is exempt from this action. (Item 3-3.04, page 493).

Energy Star Rated Appliances and Equipment – **JCC** requires agencies to purchase Energy Star rated appliances and equipment where available. (Item 4-5.04, page 521)