

Report on Amendments to Chapter 781, 2008-10 Appropriations Act (HB/SB29)
(a.k.a., The Caboose Bill)
Language Changes

Sources of Information

The 2008-10 Appropriation Act (HB/SB 29) is available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2010>.

The Governor's Budget Document is available at <http://dpb.virginia.gov/budget/buddoc10/index.cfm>.

The Office of State Governmental Relations maintains the most recent analysis of the Budget Bill and the 2010 General Assembly Session at <http://www.virginia.edu/governmentalrelations/>.

Compensation and Benefits

Furlough Day – The Governor authorizes a one day furlough and for the State Comptroller to transfer \$7.6 million from non-general fund accounts related to the savings of such furlough. We newly understand that this will include all non-general fund accounts, including the Medical Center and auxiliaries. (Item 3-1.01.VV, page 315)

Suspension of Deferred Compensation Cash Match – The Governor suspends, for the final five full pay periods of FY 2010, \$240/year cash match on employee deferred compensation accounts proposing to revert \$2.5 million in general funds and \$1.5 million in non-general funds (auxiliaries possibly included as only federal sources are specifically excluded) representing savings from the suspension. (Item 472, page 260 and §3-1.01.EE, page 371))

Deferral of Employer Paid Contributions – The Governor provides that employer paid contributions for VRS defined benefit plans will be deferred for the final quarter of FY2010 until FY2011. (Item 472, page 264)

Suspension of VSDP Contribution Rates – The Governor provides for the suspension of VSDP contribution rates for the final five full pay periods of FY 2010, with the GF and NGF savings reverting to the state's general fund. (Item 472, page 264)

Statewide Purchase and Supply System Rate Savings – The Governor authorizes DPB to withhold and transfer \$3.2 million in GF and \$2.8 million in NGF representing the savings to agencies from a reduction in the rate charged for purchases made under the statewide purchase and supply system (i.e., eVa). (Item 475, page 269)

Withholding of NGF Interest Earnings – The Governor authorizes the State Comptroller to withhold NGF interest earnings for the second through fourth quarters of FY 2010 from such funds that retain interest, with the exception of those required to retain interest by the federal requirement, an amount estimated to be \$17.7 million. (Item 3-3.04.b, page 322)

Report on Governor's Budget Bill, 2010-12 Appropriation Act (HB/SB30) Language Changes

Sources of Information

The 2010-12 Appropriation Act (HB/SB30) is available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2010>.

The Governor's Budget Document is available at <http://dpb.virginia.gov/budget/buddoc10/index.cfm>.

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Health Related

Eastern Virginia Medical School – The Governor adds language stating that Eastern Virginia Medical School (EVMS) is not eligible to participate in the Tuition Assistance Grant Program. (Item 137, page 102) Governor also adds language stating that SCHEV shall include EVMS in any calculations used to determine the funding requirements for state medical schools. (Item 139, page 106)

Nursing Scholarships from Department of Health – The Governor reduces funding from \$100,000 in each year to \$50,000 in each year for nursing scholarships and loan repayments and reduces funding from \$200,000 in each year to \$50,000 in each year for scholarships and loan repayments for nursing students pursuing an advanced degree towards becoming nursing faculty at the college level. (Item 280, page 184)

Durable Medical Equipment Medicaid Rate Savings – The Governor authorizes savings from changes to durable medical equipment Medicaid rate savings to be transferred to the general fund in each year. (§3-1.01.LL, page 372)

Office of Licensure and Certification – The Governor adds fees, effective July 1, 2010, for inpatient hospitals (\$350 + \$2/bed), outpatient surgical centers (\$700), nursing facilities (\$950 + \$8/bed), hospice programs (\$650), home care organizations (\$650), and late fees, failure to file fees, and replacement license fees. (Item 284, page 186)

Indigent Health Care – The Governor provides the Medical Center's allocation at \$40.9 million GF and \$43.5 million NGF for the first year and \$44.2 million GF and \$47.0 million NGF for the second year. Language is also added that in order to receive the non-general funds in excess of the amount of general funds, the Medical Center must certify the public expenditure. (Item 297, page 197)

Deferred Payments – The Governor provides that DMAS shall delay the last quarterly payment of Disproportionate Share Hospital payments, Indirect Medical Education payments, and Direct Medical Education payments from the end of each state fiscal year to the first quarter of the following year. Also, remittances to FAMIS and Medicaid providers will be delayed one week later than normally made. (Item 297, page 204)

Long Stay Hospitals – The Governor eliminates the incentive plan for long stay hospitals; eliminates the inflation increase for rates in FY2011 and FY 2012 and freezes ceilings in FY2011 and 2012 at the same level as the ceilings for long stay hospitals with fiscal year ends of June 30, 2010. (Item 297, page 206)

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Rebase Rates – The Governor rebases hospital DRG weights, case rates, psych and rehab per diem rates and revised inpatient hospital Medicaid utilization, (Item 297, page 206)

Amend State Plan – The Governor authorizes DMAS to amend state plan to remove optional podiatrist and adult vision services; to establish annual limits for adult rehabilitation services; to reduce the income limit for eligibility to 275% of Supplemental Security Income; to decrease maximum reimbursement for pharmaceutical products; to establish a threshold for out-of-state cost reporting; to reduced durable medical equipment reimbursement, and other actions. (Item 297, page 206)

Graduate Medical Education – The Governor eliminates inflation adjustments for graduate medical education per resident amounts. (Item 297, page 206)

Department of Mental Health, Mental Retardation, and Substance Abuse Services – The Governor renames department as Department of Behavioral Health and Developmental Services. (Item 300, page 211)

Compensation and Benefits

Suspension of Deferred Compensation Cash Match – The Governor proposes suspending the \$240/year cash match on employee deferred compensation accounts and reverting \$11.9 million in general funds and \$7.0 million in non-general funds (auxiliaries possibly included as only federal sources are specifically excluded) representing savings from the suspension. (Item 469.D and §3-1.01.EE, page 371))

Pre-Medicare Eligible Retiree Health Benefits Trust Fund – The Governor eliminates language concerning this program. (previously Item 472.G and Item 486 in Chapter 781)

Retirement Language Changes – The Governor proposes new language limiting CPI inflation increases in the Cost of Living Adjustment (COLA) applied to post-retirement payments for persons hired on or after 7/1/10. The current COLA matches the CPI-For All Urban Consumers (CPI-U) point for point for the first three percentage points. It then matches the CPI-U one-half a point for each point increase for the next 4 percentage points. So if the CPI-U rises by 7 percentage points or more, the VRS COLA caps at 5 percent. The COLA proposed by Governor Kaine for employees hired on or after July 1, 2010 would match the CPI-U for the first two percentage points. Then it would match the CPI-U one-half a point for the next 8 points. The new COLA would cap at 6% when the CPI-U increases by 10 points or more. In most years, except those of very high inflation, the new proposal results in a half point less for the COLA compared with the current methodology. The Governor proposes that VRS members hired on or after July 1, 2010 be subject to the new age/service requirement of 55/30 rather than the current 50/30.

VRS Contribution Rates – The Governor sets new contribution rates (excluding the 5% employee share) at 6.58% for VRS. Other contribution rates are: Group Life – 1.02%; VSDP - 0.66%; Retiree Health Insurance Credit – 0.99%. (Item 469.H, page 329 (and §3-1.01.CC, page 371 for VSDP; auxiliaries possibly included as only federal sources are specifically excluded))

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VRS Employee Contribution – The employee contribution is 5% and has previously been paid by the employer. The Governor provides that, effective 7/1/10, employees will pay 1% of creditable compensation on a salary reduction basis and the employer will pay 4%. Effective 7/1/11, employees will pay 2% of creditable compensation on a salary reduction basis and the employer will pay 3%. All general fund and nongeneral fund savings (auxiliaries possibly included as only federal sources are specifically excluded) will revert to the state. (Item 469.J, page 330 and §3-1.01.EE, page 371)

ORP Employee Contribution – The contribution by the Commonwealth to employees participating in the ORP has been 10.4% in recent history. The Governor provides that, effective 7/1/10, the Commonwealth will contribute 9.4% to the employee's retirement account and the employee will be required to contribute 1% of compensation on a salary reduction basis. Effective 7/1/11, the Commonwealth will contribute 8.4% to the employee's retirement account and the employee will be required to contribute 2% of compensation on a salary reduction basis. All general fund and nongeneral fund savings (auxiliaries possibly included as only federal sources are specifically excluded) will revert to the state. (Item 469.K, page 330 and §3-1.01.FF, page 371)

Deferral of Employer Paid Contributions – The Governor provides that employer paid contributions for VRS defined benefit plans will be deferred for the final five paydays of FY2011 and 2012 until FY2012 and 2013, respectively. Savings of \$34M in first year will be reverted from agency accounts. (Item 469.O, page 333)

Performance Related Salary Increases – The Governor adds language that agencies shall not pay annual performance related salary increases not authorized by the Appropriation Act. Agencies may pay increases related to pay practices authorized in the classified compensation plan to recognize changes in duties, establish equitable salary relationships, or to respond to market conditions and may pay recognition bonuses for contributions to the objectives of the agency. (Item 469.P, page 333)

Capital Outlay

Debt Financing for Capital Projects – The Governor adds language providing requirements for when debt financing for several capital items will be allowed. First, debt financing for projects already authorized for construction will proceed as planned (ITE, Multipurpose Center). Second, debt financing for the following prioritized items will be allowed ONLY after a plan/debt issuance schedule is submitted by the Secretary of Finance that takes into account the most recent recommendations of the Debt Capacity Advisory Committee released prior to the start of the 2011 General Assembly Session (i.e., January 2011). Priority for debt issuance is:

1. Maintenance Reserve
2. Higher Education Equipment Trust Funds
3. Equipment for previously funded projects (ITE and Wise Multipurpose equipment)
4. Energy Conservation Improvements (see below)
5. Construction funds for projects with completed planning (New Cabell Hall, Ruffner, Wise Library)

(Item C-85.D, page 363)

Sustainable Community Investment – The Governor adds language prohibiting commencement of any constructions unless the agency first issues a finding that the location of the building is compliant with

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guidelines issued by DGS to ensure consistency with the Principles of Sustainable Community Investment identified in Executive Order 69 and 82. (Item 2-0.P, page 347)

Maintenance Reserve – The Governor changes language around 85% spending requirement. Rather than reverting used balances, institutions which do not meet the 85% spending requirement will have its maintenance reserve funding reduced in the subsequent biennium. (Item C-84, page 360)

Energy Conservation Improvements – The Governor provides for \$35.2 million in debt (based on financing priority conditions above) to finance energy conservation projects that (1) reduce energy consumption in a publicly owned facility by 20%; (2) promote and encourage green building technology throughout state government facilities, (3) promote and encourage the conversion of agricultural waste for use in the production of fuel; or (4) technologies to reduce peak use of electricity. (Item C-86.A, page 363)

Maintenance Reserve Roof Replacements – The Governor adds language requiring roof replacements to be in accord with the Virginia Energy Conservation and Environmental Standards, LEED Silver, or Green Globes two-globe standards. (§4-4.01.c.1, page 397)

Leases That Are Capital Projects, But Not Capital Leases – The Governor eliminates language exempting from the capital outlay procedures those leases that qualify as capital projects, but not as capital leases. (Previously §4-4.01.a.5 of Chapter 781)

PPEA Projects – The Governor proposes language to exempt Public-Private Educational Facilities and Infrastructure Act projects from the capital outlay procedures as long as these projects are included in the capital outlay plan and not funded from general funds. (§4-4.01.a.5, page 396)

ARRA Capital Projects – The Governor authorizes the Director of DPB to initiate a capital project if fully funded by the ARRA of 2009 or similar federal law. (§4-4.01.m.2.b, page 399)

Site Selection – The Governor instructs DGS to issue guidelines to ensure that site selection for new state facilities is accomplished in a way that is consistent with the Principles of Sustainable Community Investment identified in Exec Order 69 and 82. (Item 69, page 35)

Other Higher Ed

Rolls Royce – The Governor provides \$12,769,000 in the first year and \$7,517,000 in the second year for chaired professorships, research, laboratory renovations, community college programs, graduate student and internships endowments, workforce training, project management, and training grants. (Item 96, page 53) The Governor also provides up to \$5 million of previously awarded funds and funds repaid by political subdivisions or business beneficiaries may be used to assist Prince George County with site improvements related to the location of a major aerospace engine manufacturer. (Item 96, page 52)

Auxiliary Cash Balances Reverted – The Governor provides for auxiliary cash balances of \$18.8 million be reverted to the general fund in FY2011; list of amounts by institution to be provided by DPB. §3-1.01.II, page 372)

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Interest on Educational and General Balances – The Governor defers payment of interest on E&G balances and rebates on credit card purchases for FY2012, an estimated GF savings of \$8.4 million. (Item 465, page 325)

Interest Earning Allocations Suspended – The Governor provides language that suspends allocation of interest earnings on the following UVA-related funds for FY2011 and FY2012:

- Academic Division and Wise Auxiliary Balances (0306)
- Academic Division E&G Facilities Maintenance Reserve Fund (0325)
- Medical Center Armory Control Board Fund (0302, 0309, 0330)

However, we're not yet clear how this applies since several of these funds are not held and invested by the State Treasury. (§3-3.03, page 376)

General Fund Grants to Graduate Students – The Governor amends language allowing general fund graduate financial aid to be awarded without the 50% OOS restriction to out-of-state graduate students who are considered resident students due to earning \$4,000 or more annually as a teaching assistant, research assistant, or graduate assistant. ((§4-5.01.b.3.d, page 403)

State Fiscal Stabilization Fund from American Recovery and Reinvestment Act of 2009 – The Governor provides \$21,892,717 to the Academic Division and \$1,702,859 to Wise in the first year for E&G and financial aid. The funding is intended to moderate the general fund reductions, moderate the need for tuition and fee increases, and increase student access. We may spend in fiscal 2011 or the first quarter of 2012. Prior to release, the institution must provide a plan outlining how it will be spent on E&G vs. financial aid and in which year. The plan must include anticipated tuition and fee increases for each year. The amount is an estimate and may be modified based on final budget reduction actions. (Item 187, page 127)

Reporting Requirements – The Governor modifies language related to reducing reporting requirements:

- Changes Prompt Pay reporting from monthly to quarterly
- Changes Personnel Development Service reporting from monthly to quarterly
- Suspends Gas Report/Repair Charge reporting
- Changes SWAM reporting from weekly to monthly
- Suspends Consolidated Faculty Salary Average reporting
(all above from §4-8.01.a.3.c, page 423-4)
- Exempts higher ed from organizational memberships reporting (§4-5.05.c.2, page 408)
- Adds language instructing DPB and SCHEV to consolidate non-general fund revenue reporting requirements (§4-8.01.a.3.d, page 424)
- Changes Status of Progress on Capital Projects reporting to annually (§4-8.01.d.3.d, page 424)
- Consolidates leasing reporting requirements (§4-8.01.a.3.c and d, page 423-4)
- Eliminates Commonwealth Generalist Initiative reporting (previously Item 149 and Item 197 of Chapter 781)
- Eliminates research funding reporting (previously Item 199 of Chapter 781)

Restructuring Assessment – Elementary and Secondary Education – The Governor adds language that the Virginia Dept of Education, SCHEV, VCCS, and the Virginia Employment Commission may

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collect, use, share, and maintain de-identified student data to improve student and program performance including those for career readiness. (§4-9.02.b.6.c.2, page 427)

Secretary of Education and Workforce – The Governor has re-titled the Secretary of Education to be the Secretary of Education and Workforce. (Item 121, page 68) Educational, Cultural, Community, and Artistic Affairs and Public Education are re-organized from the Secretary of Administration to this secretariat. (Item 122, page 68)

Higher Education Research Initiative – The Governor has not provided funding for the Commonwealth Technology Research Fund. \$3 million in the first year is provided to the Jefferson Science Associates to leverage a federal investment to upgrade the Jefferson Lab's research facilities. (Item 224, page 156)

Department of General Services – The Governor eliminated specific standards previously included (i.e., review 85% of projects within 14 days; removed language about a dedicated position to conduct fire and life safety code reviews for institutions of higher education; and eliminated specific language about the Facility Inventory Condition and Assessment system. (Item 71, page 36)

IT Facilities and Services – The Governor eliminates language that exempts non-major information technology projects from VASCUPP members from requesting authorization from VITA for procurement of IT services and goods (previously §4-5.04.b.1.b of Chapter 781)

Network Virginia – The Governor adds language that using the Network Virginia contract for services available under the VITA state contract is prohibited except for research projects, research initiatives, or instructional programs at higher education institutions. (§4-5.04.b.1.d, page 406)

VITA Operational Efficiencies – The Governor authorizes the transfer of NGF savings from agencies and higher education institutions related to operational efficiencies of VITA. (§3-1.01.U, page 370) The Information Technology Investment Board will work with the Secretary of Finance and the Director of DPB to reduce technology and telecommunications costs, including opportunities to reduce the number of retained employees and to establish standards, such as number of printers per employee and using docking stations instead of laptops and desktops. (Item 432, page 296)

Innovative Technology Authority – The Governor renames authority to be the Innovation and Entrepreneurship Investment Authority. (Item 428, page 293)

Other

Reengineering Efforts – The Governor provides \$500,000 in the first year (down from \$650,000 in fiscal year 2010) to support technology-based or other approaches to improve efficiency and effectiveness of processes. New for this biennium, also provides for a \$10 million line of credit for loans to agencies for reengineering efforts; it is intended that costs savings realized will repay the loan. (Item 466, page 326)

Property Tax Relief – The Governor eliminates \$950 million in each year in general fund payments to localities for property tax relief. The Governor has proposed the addition of a 1% income tax increase to be allocated to localities, providing them with funds to fully eliminate the property tax. (previously Item 471 in Chapter 781).

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Master Lease Plan and DGS's State-Wide Purchase and Supply System Rates – The Governor reverts savings resulting from reduced rates from general fund and nongeneral fund accounts. (Item 473, page 336)

Guidelines Related to Decreasing Printing – The Governor eliminates language and related savings reversion related to reducing printing expenses and eliminating annual or special reports. (previously Item 475 in Chapter 781)

State Treasurer Administration Fees – The Governor authorizes the State Treasurer to charge projects financed with 9 (c) debt an administrative fee of up to 10 basis points plus direct costs of issuance. (§3-1.01.G.4, page 369)

American Recovery and Reinvestment Act of 2009 – The Governor charges the Department of Accounts with the reporting responsibility under this Act. Agencies receiving funds shall (1) comply with State Comptroller or DPB reporting requirements; (2) comply with federal reporting requirements; and (3) comply with transparency requirements. (Item 248, page 158)

Directory of Cultural Historic Sites – The Governor directs the Department of Conservation and Recreation to develop a state directory of cultural historic sites to recognize commemorative and historic facilities and sites that interpret significant aspects of national, state, or regional cultural history; sites shall not be owned or operating by state agencies (Item 352, page 243).