

## **Report on Governor's Amendments to the 2010-12 Appropriation Act (HB1500/SB800) Language Changes**

### **Sources of Information**

The amended 2010-12 Appropriation Act (HB1500/SB800) is available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2011>.

The Governor's Executive Budget Document is available at <http://www.dpb.virginia.gov/budget/buddoc11/index.cfm>.

The University's Office of State Governmental Relations maintains the most recent analysis of the Budget Bill and the 2011 General Assembly Session at <http://www.virginia.edu/governmentalrelations/>.

### **Compensation and Benefits**

*Virginia Retirement System (VRS) Contributions* – Governor proposes the following related to contributions to the VRS, to be effective July 1, 2011: (Item 469, page 410)

- Increase the University contribution paid on behalf of staff and faculty enrolled in the VRS.
- Require staff and faculty enrolled in the VRS and hired prior to July 1, 2010, to pay the 5 percent employee share of contributions, previously paid by the University.
- Provide a 3% salary increase for staff and faculty enrolled in the VRS and hired prior to July 1, 2010.

*Optional Retirement Plan (ORP) Contributions* – Governor reduces the annual employer contribution to ORPs from 10.4% to 8.5% (or up to 8.9% for higher education) for faculty and staff enrolled in an ORP and hired prior to July 1, 2010. (Item 469, page 410)

*Employee Bonus* – Governor provides for a December 2011 one-time bonus to all full-time faculty and staff who attain an equivalent rating of at least "Meets Expectations." The bonus will be up to 2%, based upon the level of year-end general fund balances. (Item 469, page 410)

*Transfer of VRS Savings to State* – Governor provides that on or before June 30, 2012, (1) the GF and NGF savings resulting from the net changes in the VRS retirement contributions and compensation and (2) the GF savings from the reduction in ORP employer retirement plans shall be transferred by the State Comptroller from institutions. (Item 469, page 460)

*State Health Insurance Program* – Governor instructs the Department of Human Resource Management (DHRM) to conduct an actuarial audit of the state's health plan to review actuarial reports and methods; review funding strategies; assess rate development; evaluate Incurred But Not Reported estimation methodology; review models estimating impact of plan changes, developing rates and budget projections, and monitoring claims experience; conduct a comparison of rates to those in marketplace; and review valuation results of GASB 43 and 45. (Item 67, page 39)

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*Erroneous Payroll Overpayments* – Governor authorizes agencies to seek settlement of erroneous payroll overpayments and to use payroll deductions for such recovery. (Item 4-6.01.e.3, page 508)

#### **Research**

*Rolls Royce* – Governor defers \$3 million of state's commitment from the first year to the second year. However, UVA has already drawn down its share this year, so should be no impact to UVA. (Item 96, page 77)

*Virginia Research and Technology Investment Fund* – Governor provides \$25 million in the second year to create this fund. Details on creating the fund will be implemented through legislation to the General Assembly. (Item 96, page 78)

*UVA Research Capacity Funds* – At the University's request, the Governor revised the areas where the University is to target state research investments to "bioengineering and biosciences" from "bioengineering and regenerative medicine." (Item 189, page 167)

#### **Other Higher Ed**

*100,000 Additional Degrees* – Governor establishes a \$50 million GF program in year two to provide financial assistance for higher education innovation and performance. Of the funding, \$13 million is provided for undergraduate financial aid; \$1 million for academic transformation through the use of technology; \$3 million to enhance the availability of online courses; and \$33 million to enhance student enrollment, retention, and graduation, with a focus on growing the number of students majoring in STEM and health care, as well as strengthening the base operations of the higher education institutions. Institutions shall provide proposals to the Secretary of Education for potential use of the funding. Institutions will be required to show an institutional re-programming of funds to support the proposal; matching funds from institutions cannot include a corresponding increase in tuition or a reduction in financial aid. (Item 465, page 400)

*UVA Special Programs* – The University requested and the Governor included a reduction in the line item appropriation for the Family Practice Residency Program, the Virginia Foundation for Humanities, the Commonwealth Graduate Engineering Program, the Virginia Institute for Government, Diabetes Professional Education, Center for Politics, and State Arboretum at Blandy Farm. All line item appropriations were included in across-the-board budget reductions assessed by the Commonwealth for 2008-2010. This revision in the language does NOT reflect any additional reductions beyond those already assessed to the programs. Rather, this represents that each time the state reduces the University general fund appropriation, it reduces its support to these programs. (Item 187, page 165 thru Item 189, page 167)

*Emergency Maintenance Reserve* – Governor appropriates, in year two, up to \$2 million of the proceeds of bonds issued for the capital costs of maintenance reserve projects to higher education

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institutions to address unplanned emergency maintenance, if no alternative funding is available. (Item C-84, page 445)

*College Partnership Laboratory Schools* – Governor provides \$600,000 in the second year to plan for the development and establishment of innovative education programs and to promote greater cooperation and coordination between higher education and P-12 education. The Secretary of Education will select institutions of higher education to receive funding from this item. (Item 121, page 97)

*Commonwealth Accounting and Reporting System (CARS)* – Governor authorizes DOA to include administrative costs, estimated at \$80,000 annually, for executing CARS entries for Level III restructured institutions. (Item 248, page 203)

*Tuition Assistance Grant Program* – Governor increases the second year GF appropriation for the Tuition Assistance Grant Program designated for full-time undergraduate and graduate students in Virginia private schools by \$2.5 million increasing the average size of the grant from \$2,600 to \$2,700. (Item 137, page 137)

*Unexpended Appropriations* – Governor deletes language allowing unexpended appropriations to be re-appropriated for a number of programs, including Tuition Assistance Grant Program (Item 137, page 138), Virginia Military Survivors and Dependents Education Fund (Item 137, page 139), and others. The language does not impact higher education.

*Optometry Grants* – Governor reduces funding by \$22,000 in each year for grants to students in schools and college of optometry. (Item 137, page 137)

*Eminent Scholars Program* – Governor does NOT reduce 2011-12 funding for the Eminent Scholars Program beyond the level for 2010-11. (Item 138, page 140)

*Statewide Longitudinal Data System* – Governor proposes that the Department of Education, in partnership with SCHEV, the Virginia Community College System, and others, expand on the current Statewide Longitudinal Data Systems grant to create a data linking and reporting system among state agency data sources, including higher education, and to develop a mechanism for postsecondary institutions to receive transcript data. The project will start in January 2011 with a completion date of June 2013 and an estimated \$17.5 million cost. (Item 433, page 363)

*Interest Earned on Tuition and Fees* – Governor provides funding in the second year (first year already provided) for the estimated payment to individual higher education institutions of the interest earned on tuition and fees provided the institutions meet the institutional performance measure standards. (Item 465, page 399)

*Credit Card Purchases Rebate* – Governor provides funding in the second year (first year already provided) for the estimated payment to individual higher education institutions of a pro rata amount of the rebate paid to the state on credit card purchases provided the institutions meet the institutional performance measure standards. (Item 465, page 399)

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**Medical Center Related**

*Sum Sufficient Appropriation* – The Medical Center's appropriation is adjusted to reflect the addition of sum sufficient appropriation language as proposed by the University. (Item 191, page 168)

*Health Agencies Audit* – Governor provides \$1.35 million in the second year for an independent entity to audit the Departments of Medical Assistance Services, Health, Social Services, and Behavioral and Development Services. (Item 273, page 227)

*Office of Licensure and Certification* – Governor authorizes a number of charges for licensure. Two examples: \$350 + \$2 per bed for each inpatient hospital, \$700 for each outpatient surgical center, and others. (Item 285, page 238)

*Potential Extension of Increased Federal Medical Assistance Percentage (FMAP)* – Governor removes language that would restore \$2.66 million in indigent care funding to the University in the second year if the extension occurred. (Item 297, page 250)

*Income Limits for Medicaid Program* – Governor states that the medically needy income limits for the Medicaid program are adjusted annually (previously said just the first year) to account for changes in the Consumer Price Index. Also eliminates language that would not implement this action if the FMAP were expended. (Item 297, page 250)

*Amend State Plan* – The Governor eliminates language included last year that authorized DMAS to amend state plan to remove optional adult vision services; to reduce the income limit for eligibility to 275% of Supplemental Security Income; and to reduce eligibility of aged and disabled individuals. The Governor added language to decrease maximum reimbursement for pharmaceutical products. (Item 297, pages 262-268)

**Other**

*Enterprise Applications Internal Service Fund* – Governor establishes a new service fund which will assess agencies for the ongoing operating costs of the Commonwealth's enterprise applications, estimated at \$490,000 in the second year. Surcharge will be based on licenses, transactions, or other meaningful identifier. (Item 250.1, page 204)

*Evaluation of Proposals for Operational Efficiencies* – Governor provides \$250,000 in the second year to evaluate proposals submitted to the state. Policies and procedures to be determined by the Productivity Investment Fund Executive Board, made up of the Secretaries of Administration, Finance, and Technology. (Item 466, page 401)

*Electronic Filing of Tax Forms* – Governor mandates that effective July 1, 2011, employers whose average monthly tax liability is \$1,000 or more shall file the required annual report and all forms electronically using a format prescribed by the Tax Commissioner. (Item 262, page 215)

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*Virginia Information Technologies Agency (VITA)* – Governor proposes \$23.0 million GF in year one and \$30.2 million GF in year 2 to state agencies for costs incurred as the result of changes to information technology service rates charged by VITA. Due to restructuring, the impact to higher education institutions is expected to be minimal. (Item 470, page 412-413)

*Virginia Commercial Space Flight Authority* – Governor increases funding in the second year by \$395,000. (Item 114, page 90)

*Virginia Biotechnology Wet Laboratory* – Governor decreases funding in the second year by \$600,000. (Item 114, page 91)

*Organizational Memberships* – Governor will withhold savings realized through the elimination of or negotiated reduction in annual membership dues in organizational memberships held by state agencies and institutions of higher education. A representative of DPB indicated that this item referred to the survey of agencies recently conducted to ascertain the support agencies provide to statewide boards and commissions.(Item 473, page 415)