

**Report on Governor's and Joint Conference Committee (JCC) 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:

- 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.

JCC maintains the requirement that VRS employees pay a 5% contribution (effective June 25, 2011) but offsets this by providing a 5% salary increase. **JCC** also provides \$15.1 million general funds (GF) in the second year to state agencies to reflect the resulting increase in federal tax and fringe benefit expenditures. Agencies will be expected to fund the salary increase from the savings related to moving the 5% employee contribution back to the employee. (Item 469, page 410)

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. **JCC** restores funding to continue ORP contributions at 10.4% for employees 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. **JCC** eliminates the potential bonus. (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. **JCC** eliminates the transfer of GF and

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NGF savings resulting from the net changes in the VRS retirement contributions and salary, since there will not be any net savings under the JCC VRS actions. (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. **JCC** deletes the requirement that DHRM conduct an actuarial audit and instead instructs the Auditor of Public Accounts to complete a financial review of the state employee health insurance fund. (Item 67, page 39 (Item 67, page 39))

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)

Automated Time and Attendance Application – **JCC** instructs DHRM to develop a plan to implement an automated time, attendance, and leave application for use by executive branch agencies. (Item 75, page 62)

Hiring Freeze for Executive Department Agencies – **JCC** directs DPB to withhold and transfer an estimated employee compensation adjustment of \$10.5 million in the second year from the GF and NGF appropriations of state agencies that represents savings associated with freezing new hires in Executive Department agencies. (Item 469, page 411)

Deferral of VRS Payments – **JCC** provides \$41.7 million GF in the second year to eliminate the planned deferral of the fourth quarter FY2011 VRS payments to FY2012 (as approved last year) and authorizes a phased-in increase in VRS contribution rates paid during FY12. (Item 469, page 402)

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. **JCC** reduces this to \$10 million GF in the second year -- \$4 million deposited into the Center for Innovative Technology's GAP Funds and \$6 million deposited into the Commonwealth Research Commercialization Fund (of which \$2 million shall be used for a Small Business Innovation Research Matching Fund Program for Virginia-based technology businesses). (Item 96, page 78)

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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)

UVa Cancer Research Funding – **JCC** provides \$3.0 million GF appropriation in the first year for cancer research funding at UVa. (Item 189, page 167)

Jefferson Lab – **Governor** reduced GF appropriation in both years that supports the Thomas Jefferson National Accelerator Facility in Newport News. **JCC** restores the funding. (Item 243, page 198)

Virginia Biotechnology Wet Laboratory – **Governor** decreases funding in the second year by \$600,000. **JCC** eliminates all funding in the second year for this program. The project for which the first year amount was dedicated has not proceeded. (Item 114, page 91)

Commonwealth Center for Advanced Manufacturing – **JCC** proposes \$300,000 GF in the second year to implement the findings of a workgroup headed by the Virginia Economic Development Partnership on leveraging the expertise of the existing Commonwealth Center for Advanced Manufacturing. (Item 114, page 91)

Capital Outlay

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

Reporting on Capital Projects – **JCC** requires state agencies and higher education institutions to provide information and/or use systems and processes as prescribed by the Director of DGS on behalf of the Six-Year Capital Outlay Plan Advisory Committee for state-wide reporting on projects funded by GF and NGF sources. Additionally, **JCC** requires DPB to report to the Chairmen of the House Appropriations and Senate Finance Committees on the impact of increasing capital outlay projects thresholds from \$1 million to \$2 million and energy-efficiency projects thresholds from \$3 million to \$7 million. **JCC** proposes increasing the cap on capital projects at institutions of higher education that are exempt from the capital outlay review process from \$1.0 million to \$2.0 million. (Item C-0, page 429 and Item 4-4.01, page 489-490)

Capital Project Review – **JCC** proposes an internal service fund that collects fees imposed on capital projects approved for institutions of higher education for the review of the proposed projects. In administering the fund, SCHEV will provide capital project review services to institutions of higher education and has been allotted \$290,000 NGF and 2.0 FTE positions in the second year. (Item 137, page 142)

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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) **JCC** eliminates the Governor's \$50 million fund, instead distributing the funds to institutions for in-state enrollment growth, full-time faculty, STEM initiatives, a CISCO public-private partnership, and to support O&M of new buildings. **JCC** provides \$705,000 GF appropriation in year two to support the first 84 additional in-state students the University has agreed to enroll to accomplish the goal of the Governor's Higher Education Commission of increased access for in-state undergraduate students. (Item 187, page 165 and 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. **JCC** restores the \$5,630 GF reduction in the first year and the \$22,817 GF reduction in the second year that were passed through UVa to the Virginia Center for Diabetes Professional Education. (Item 187, page 165 thru Item 189, page 167)

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)

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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. **JCC** increases the maximum award amount per student from \$2,000 to \$5,000 and provides an additional \$10,000 GF in the second year. (Item 137, page 137)

Virginia Space Grant Consortium Scholarships – **JCC** augments GF appropriation by \$350,000 in the second year to increase participation by 350 students in STEM programs in partnership with NASA. (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. **JCC** provides NGF authority in the second year for the estimated interest earnings distribution to the four institutions (UVa, CWM, VCU, and Virginia Tech) governed under Level 3 management agreements. (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)

Organizational Structure of Virginia Cooperative Extension – **JCC** requires the Secretary of Education to evaluate the organizational structure of Virginia Cooperative Extension and to conduct a thorough analysis of Cooperative Extension and Agricultural Experiment Station operations. (Item 121, page 97)

Two-Year College Transfer Grant Program – **JCC** increases the second year GF appropriation for the Two-Year College Transfer Grant Program by \$300,000 to address anticipated enrollment growth. (Item 137, page 137)

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Virginia Military Survivors and Dependents Program – **JCC** increases GF appropriation for the Virginia Military Survivors and Dependents Program by \$250,000 in the second year. (Item 137, page 139)

Institutional Peer Groups – **JCC** instructs SCHEV, in consultation with the Secretaries of Education and Finance and the Chairmen of the House Appropriation and Senate Finance Committees, to review and, if necessary, update institutional peer groups. SCHEV should consider the impact of cost of living indices on the current cohort and the impact of enrollment patterns where the percentage of graduate degrees conferred has increased by more than 10 percent between 1997-2007 concurrent with a like decrease in the percentage of undergraduate degrees conferred during the same period. (Item 139, page 142)

Top Jobs for the 21st Century – **JCC** provides \$250,000 additional GF funding in the second year for three SCHEV staff to support requirements of the Top Jobs for the 21st Century legislation. (Item 139, page 140)

UVa OOS Debt Service Fee – **JCC** increases the amount of funds raised in the second year from the OOS debt service fee and remitted to the Virginia College Building Authority for debt service on 21st Century Program bonds by \$38,000 for the University. The increase reflects the actual credit hours generated by OOS student. (Item 271, page 223)

Health Related

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

Health Agencies Audit – **Governor** provides \$1.4 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. **JCC** eliminates the funding and audit requirement. (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. **JCC** increases GF by \$604,000 in the second year and reduces NGF by an equal amount to eliminate a proposed fee increase for the initial license, annual license renewal, and reissuance fees for inpatient hospitals, outpatient surgical centers, nursing facilities, hospice programs, and home care organizations. (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

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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 – **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. **JCC** restores reverses actions taken by the 2010 General Assembly to reduce Medicaid reimbursement rates by 4% and adds language that No additional changes shall be made to adjustment factors effective 10/1/2010. Also provides funding for Medicaid podiatry services. (Item 297, pages 262-268)

Eastern Virginia Medical School (EVMS) GF Support – **Governor** provides \$5 million in year 2 to EVMS to provide parity in funding with the UVa and VCU Schools of Medicine. **JCC** reduces this by \$2.0 million in year two to reflect the average GF per student support for in-state medical students at UVA and VCU. (Item 236, page 195)

New Outpatient Hospital Reimbursement Methodology – **JCC** authorizes DMAS to convert the current cost-based reimbursement methodology for outpatient hospitals to a new prospective payment system for outpatient hospital services (including laboratory services) similar to the current system for inpatient services. (Item 297, page 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. **JCC** eliminates this fund. (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)

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. **JCC** reduces the GF support provided to help state agencies address the impact of additional VITA charges for information technology services by \$1.5 million. (Item 470, page 412-413)

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Virginia Commercial Space Flight Authority – **Governor** increases funding in the second year by \$395,000. **JCC** shifts funding for the program from the Virginia Economic Development Partnership to the Virginia Department of Aviation. (Item 114, page 90 and Item 437, page 379)

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. **JCC** restores \$14,022 GF in the second year for the payment of dues to the organization of State Higher Education Executive Officers. (Item 473, page 415)

Board Members Compensation – **JCC** compensates citizen members of a board/commission/council created or established in the legislative branch of state government \$50 for each day, or portion thereof, of attendance at an official meeting. No compensation is permitted for attending a meeting of an advisory committee. Full-time state employees, including full-time faculty members of public institutions of higher education, are not entitled to compensation. Citizen members and full-time state employees will be reimbursed for reasonable and necessary expenses incurred in attending an official board/commission/council meeting or an advisory committee meeting. (Item 1, page 5)

Citizen Friendly Budget – **JCC** proposes to convene a work group to outline the initial format and general content of a Citizen Friendly Budget, or easily understood online budget summary, to be available after each reconvened legislative session. (Item 246, page 202)

Reversion of Year-end GF Balances – **JCC** proposes that all agency year-end GF balances (except where required to pay pre-existing obligations for the purchase of goods or services) shall be reverted to the GF. Excludes institutions of higher education, agencies assigned to the Legislative and Judicial Departments, and Independent Agencies. (Item 4-1.05, page 476)

Cellular Telephone Use Requirements – **JCC** instructs the CIO and State Comptroller to develop statewide requirements for the use of cellular telephones and other telecommunication devices by in-scope Executive Department agencies to employees. These agencies shall develop policies governing these devices and maintain cost justifications for assigning the devices to employees. We have confirmed that UVa is NOT considered to be an “in-scope executive agency.” (Item 4-5.04, page 497)

State's Telecommuting Policies – **JCC** instructs the Secretary of Administration, in cooperation with the Secretary of Technology, to report on the state's telecommuting policies, their use by state employees, and the ability of telecommuting to provide public services or complete state work. (Item 4-8.01, page 514)

Surplus Property Model – **JCC** requires DGS to solicit proposals for an enterprise-wide surplus material reuse, sale, and disposal services model. (Item 70, page 58)