

Report on Amendments to Chapter 890, 2010-12 Appropriations Act (HB1500/SB800)
(a.k.a., The Caboose Bill)
Language Changes

Sources of Information

The original 2010-12 Appropriation Act (HB1500/SB800) is available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2011>. The Governor's proposed amendments to the 2010-12 Appropriation Act (HB29/SB29) are available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2012>.

The Governor's Budget Document is available at <http://dpb.virginia.gov/budget/buddoc12/index.cfm>.

The Office of State Governmental Relations maintains the most recent analysis of the Budget Bill and the 2012 General Assembly Session at <http://www.virginia.edu/governmentalrelations/>.

Other Higher Education

Elimination of \$10 Million Budget Reduction for Public Higher Education Institutions - The Governor eliminates the \$10 million budget reduction that was to be imposed on public higher education institutions in FY2011-12. (Item 473.20, page 162)

Medical Center Related

Indigent Care Reimbursement – Governor decreases general funds provided to reimburse UVa Health System for indigent health care costs in 2011-12 from \$41.6 million to \$40.3 million. (Item 297, page 99)

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Sources of Information

The 2012-14 Appropriation Act (HB30/SB30) is available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2012>.

The Governor's Executive Budget Document is available at <http://www.dpb.virginia.gov/budget/buddoc12/index.cfm>.

The University's Office of State Governmental Relations maintains the most recent analysis of the Budget Bill and the 2012 General Assembly Session at <http://www.virginia.edu/governmentalrelations/>.

Compensation and Benefits

Virginia Retirement System (VRS) Contribution Rate – Governor proposes a VRS contribution rate for state employees of 8.76% for each year (excluding the 5% employee portion). The current rate is 6.58%. The budget does not assume any change to the employee contribution. The budget includes appropriation to support the general fund portion of the cost, to be distributed to agencies. (Item 468, page 354)

Employee Bonus – Governor provides for a December 2012 one-time bonus to all full-time state employees (including higher education faculty) who attain an equivalent rating of at least "Meets Expectations." The bonus will be up to 3%, based upon the level of year-end general fund balances. Specifically, the FY12 year-end discretionary unspent general fund appropriations must, in total, meet or exceed twice the general fund cost of a 3% bonus in FY13 for the impacted state employees. Each agency will be responsible for funding the general fund share of the bonus out of its unspent discretionary appropriations. (Item 468, page 357)

Research and Economic Development

Biosciences Research Consortium – Governor proposes \$5 million general funds in each year to create a non-stock corporation research consortium initially comprised of UVa, VCU, Virginia Tech, GMU, and the Eastern Virginia Medical School. The consortium will work with private entities, foundations, and other governmental sources to capture and perform research in the biosciences. Initial exclusive focus will be around bio-informatics and medical informatics, point of care diagnostics, and drug discovery and delivery. The Commonwealth's funding must be matched at least dollar-for-dollar by funding from private entities, foundations, and other governmental sources. Other public higher education institutions in the Commonwealth may choose to join the consortium. Each participating institution is required to contribute at least \$50,000 annually in the first two years. No research will be funded by the consortium unless at least two of the participating institutions are actively and significantly involved in collaborating with the research, the research topic has been vetted by a scientific advisory board, and the research topic holds potential for high-impact, near-term success in generating other sponsored research, creating spin-off companies, or otherwise creating new jobs. Of the funds allocated, up

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to \$500,000 each year may be used to pay the administrative, promotional and legal costs of establishing and administering the consortium, including the creation of intellectual property protocols, and the publication of research results. (Item 105, page 74-75)

Cancer Research – Governor proposes \$6.0 million general funds each year to establish a higher education cancer research and treatment pool. Annual funding is distributed as follows: \$3.0 million to Hampton University, \$1.5 million to UVa to support cancer and medical translational research, and \$1.5 million to VCU. (Item 253, page 180).

Competitive Research Grant - Governor establishes a \$2.6 million competitive research grant each year, available to any public higher education institution in the Commonwealth. Grant funding will be allocated for those research efforts identified in an institution's six-year plan that will result in matching grant or investment funding equal to at least two times the value of the general fund support within a three-year period or the commercialization of the product. (Item 253, page 180).

Commonwealth Center for Advanced Manufacturing – Governor appropriates \$2 million general funds in year two to the Commonwealth Center for Advanced Manufacturing for workforce development. (Item 105, page 74)

Economic Development Funding – In year two, consistent with the 2010-12 Appropriation Act, Governor appropriates \$4 million general funds to the Center for Innovative Technology's GAP Funds and \$6 million to the Commonwealth Research Commercialization Fund. Of the funds provided to the Commonwealth Research Commercialization Fund, \$2 million shall be used for a Small Business Innovation Research Matching Fund Program for Virginia-based technology businesses. (Item 105, page 74)

Modeling and Simulation Workgroup – Governor instructs the Secretary of Education, with the cooperation of the Secretaries of Finance, Commerce and Trade, and Technology, their associated agencies, and the Innovation and Entrepreneurship Investment Authority, to convene a workgroup consisting of representatives from Virginia's public and private higher education institutions and private industry to determine the methodology upon which the following desired outcomes may be achieved: capitalization and expansion of the Commonwealth's current modeling and simulation assets, identification of collaborative opportunities for applied research and commercialization throughout Virginia, leveraging of multiple resources supporting modeling and simulation efforts through a single source, and the flexibility to accommodate rapid scenario development and teamwork among the academic and business arenas. (Item 130, page 90)

Innovation and Entrepreneurship Investment Authority, modeling and simulation – Governor appropriates \$480,000 in the first year and \$800,000 in the second year to support research and outreach activities, as well as foster growth and diversification within the Commonwealth's initiatives in modeling and simulation. (Item 423, page 306)

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Innovation and Entrepreneurship Investment Authority, cyber security – Governor appropriates \$520,000 in the first year and \$480,000 in the second year to support and expand the Commonwealth's initiatives in cyber security. (Item 423, page 306)

Virginia Economic Development Partnership (VEDP) – Governor provided \$500,000 in the first year to VEDP to partner with regional organizations, institutions of higher education, and other entities to develop region specific economic development plans and strategies (Item 123, page 85)

Capital Related

Bureau of Capital Outlay Management – Governor increases the recoveries to be collected to support BCOM from \$3.35 million to \$4.7 million in each year. It is unclear whether this will result in higher rates. (Item 79, page 56)

Higher Education

Achieving Goals of HEOA of 2011 – The Governor provides \$100 million general funds per year to achieve the goals of the Virginia Higher Education Opportunity Act of 2011 (HEOA), which include educating and graduating more Virginians, encouraging more graduates in STEM-H fields, supporting underrepresented students to graduate from higher education institutions, and awarding 100,000 new degrees in the next 15 years. The funding is also intended to slow the rising costs of tuition and fees in order to keep higher education more affordable. The \$100 million per year is comprised of:

- \$25.5 million to provide additional support for public higher education institutions' base operating costs
 - For institutions < 85% of the funding guidelines, funding = 2% increase on the model's scale
 - For institutions between 85-90% of guidelines, funding = 1% increase
 - For institutions > 90% of guidelines, funding = 0.5% increase
- \$20.4 million as incentive funding in support of public higher education institutions' efforts to graduate students, especially if those students are STEM-H majors, graduate in less time than normal, and are considered an underrepresented group based on age and income
- \$16.2 million to account for enrollment growth by public higher education institutions between FY2010 and FY2011, representing more than 8,200 more students. For four-year institutions, the amount provided equals the amount awarded under the Tuition Assistance Grant (TAG) Program for private institutions.
- \$12.4 million to support cancer and high-tech research at higher education institutions, as well as funding for competitive research grant awards
- \$8.2 million to support other STEM-H related initiatives at entities that support higher education
- \$6.4 million to increase financial assistance to students, with the intention of enhancing affordability for both low-income and middle-income students and their families. Low-income would fall below 200% of the poverty level and middle-income would fall

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between 200-400%. Funding will be distributed proportionately based on each institution's percentage of the shortfall, as calculated between the immediate fiscal year and the following fiscal year.

- \$5.8 million to increase the Tuition Assistance Grant (TAG) award to Virginia students attending private, non-profit higher education institutions from the present \$2,650 to \$2,750
- \$5.1 million to support institution-specific STEM-H, graduation and retention, and economic development initiatives at public higher education institutions consistent with the goals in the HEOA.
- (Item 4-10.01.b, page 450. See funding spreadsheets for allocations to UVa and UVA-Wise.)

Reallocation of General Funds to Support HEOA Goals – In lieu of budget reductions, Governor directs each public higher education institution to set aside in FY13 and FY14 the equivalent of 3% and 5%, respectively, of its FY12 general funds support for educational and general (E&G) operations to reallocate toward the goals of the HEOA. This funding will be released to institutions once the Secretary of Education has approved a plan on how they will utilize the funding in support of the HEOA. Each institution's strategies and documented progress will be reflected in its six-year plan. UVa's reallocation is \$4.8 million in year one and \$8.0 million in year two; Wise's reallocation is \$174,783 in year one and \$291,368 in year two. (Item 195, page 151 and Item 202, page 154)

In-state Tuition Used to Support Financial Aid – Governor proposes to keep the amount of tuition and fee revenue generated from in-state students that is used to support financial aid at the levels appropriated for this purpose in the 2012-14 biennium. The Higher Education Advisory Committee shall evaluate the appropriate use of tuition and fee revenue generated from in-state students that is used to support financial aid with the goal of enhancing affordability for low-income and middle-income in-state students and their families. (Section 4-2.01, page 410)

Elimination of Eminent Scholars Funding – Governor eliminates Eminent Scholars funding provided to the State Council of Higher Education for Virginia to match eminent scholar earnings for institutions of higher education. (Item 145, page 127)

Commission on Access and Diversity in Higher Education – Governor includes in the Legislative Department Reversion Clearing Account's appropriation \$20,000 each year from the general fund to support the Commission on Access and Diversity in Higher Education in Virginia as continued by HJR 202 of the 2000 Acts of Assembly. (Item 34, page 18)

Reversion of Interest Earned on Auxiliaries – Governor continues to revert interest earnings from auxiliaries in both years of the 2012-14 biennium. (Section 3-3.03, page 392)

College Partnership Laboratory Schools – Governor continues the funding that began in 2010-12 (\$600,000 general funds in each year) to the Secretary of Education to plan for the development and establishment of innovative education programs and to promote greater cooperation and coordination between institutions of higher education for preschool to grade 12

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students through the establishment of College Partnership Laboratory Schools. The Secretary of Education is authorized to select institutions of higher education to receive funding. (Item 130, page 90) Governor appropriates new funds in 2012-14 (\$100,812 in each year) to establish the Innovative Education Technical Advisory Group to assist new applicants seeking to establish charter, college laboratory, or virtual schools in Virginia. (Item 138, page 94)

Virtual Library of Virginia – Governor increases funding to the Virtual Library by \$2.8 million in each year of the biennium. (Item 144, page 127)

Virginia Women's Institute for Leadership – Governor begins phase out of this program over the biennium. (Item 144, page 127)

Recruit Math and Science Students – Governor appropriates \$300,000 GF in the first year and \$400,000 in the second year to establish a comprehensive pilot initiative to recruit students to major in the fields of mathematics and science to help alleviate the shortage of qualified teachers in these fields. (Item 138, page 96)

Elimination of Federal Trust Funds for Student Financial Assistance – Governor's appropriation to the State Council of Higher Education for Virginia (SCHEV) within the 2012-14 budget bill reflects the elimination of federal funds for the College Scholarship Assistance Program. Federal funds represented \$1.7 million each year in the 2010-12 biennium. (Item 144, page 125)

Tuition Assistance Grant Program – Compared to 2011-12, Governor provides an additional \$5.9 million general funds in each year to the Tuition Assistance Grant Program designated for full-time undergraduate and graduate students in Virginia private schools, increasing the average size of the grant from \$2,650 to \$2,750. (Item 144, page 125)

Medical Center Related

Indigent Care Reimbursement – Governor provides \$32.1 million and \$31.1 million general funds in years one and two, respectively, to reimburse UVa Health System for indigent health care costs. This represents a decrease in funding compared to 2010-11 (\$38.2 million) and 2011-12 (\$41.6 million; proposed to be reduced to \$40.3 million in Caboose Bill). Governor requires academic health systems to certify indigent care public expenditures not reimbursed by the general fund for submittal to receive the federal government's match. (Item 307, page 226)

Other

Financial Oversight for Enterprise Applications Service Fund – Governor establishes a service fund to recover a surcharge based on licenses, transactions, or other meaningful methodology as determined by Secretary of Finance and the owner of the application in order to fund the ongoing costs as well as development and implementation costs initially funded through working capital advances. Expected costs for the Performance Budgeting System are \$3.96 million per year and for the Cardinal financial management system (CARS replacement) are \$14.95 million in the first year and \$16.78 million in the second year. (Item 260, page 185) \$1.66 million will be

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distributed from the general fund for costs incurred related to the operating cost of the Performance Budgeting System. (Item 469, page 359)

Interfaces to Cardinal – Costs incurred by line agencies to interface into the new statewide financial management system will be borne by the agencies impacted. (Item 260, page 185)

Southwest Virginia Graduate Medical Education Consortium – Governor reduces funding for this consortium to \$210,759 in the first year and to \$107,530 in the second year (from \$215,060 in each year of 2010-12) which creates and supports medical residency preceptor sites in rural and underserved communities in southwest Virginia. (Item 297, page 221)