

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/>.

*Elimination of \$10 Million Budget Reduction for Public Higher Education Institutions - **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)

*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)

*Out-of-State Capital Outlay Fee - **JCC*** adjusts the Out-of-State Capital Outlay Fee reverted to the state for new enrollment; impact to UVa is \$30,420. (Item 271, page 86)

*Federal Action Contingency Trust (FACT) – **Governor*** creates a \$30 million fund in the second year to help prepare the Commonwealth for future federal spending reductions. **JCC** restricts \$7.5 million of reserve to Base Realignment and Closure Commission (BRAC); specifies that fund is to address BRAC, to continue statutorily required services; and unique economic development opportunities resulting from federal budget reductions or BRAC; also establishes an advisory committee to oversee distribution of the funds. (Item 470, page 160)

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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. **JCC** provides for a December 2012 one-time 3% bonus to all full-time state employees (including higher education faculty) employed on April 1, 2012 and remaining employed on November 24, 2012 contingent upon additional FY12 general fund resources equaling or exceeding \$77.2 million. Employees in Executive Department subject to Virginia Personnel Act (VPA) must "meet expectations." (Item 468, page 357).

Salary Increase - **JCC** provides funding for a 2% salary increase effective July 10, 2013. Funding is provided directly to UVa for teaching and research faculty, administrative faculty, part-time faculty, graduate teaching assistants, and the Family Practice Program. Funds for a 2% staff salary increase effective July 10, 2013 are held in a central clearing account. Executive Department employees subject to VPA (classified staff) must attain a "contributor" rating, while Executive Department employees not subject to the VPA (University staff) increases will be subject to determination by the governing authority, but must be performing at levels at least comparable to a "contributor" under VPA. (Item 195, page 149 and Item 468, line 358)

State Health Plan – **JCC** adds language to have DHRM – develop a proposal for a Medication Therapy Management pilot program. (Item 84, page 59)

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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.

JCC increases indigent care funding to provide a 2.6% increase in the first year and 0.0% increase in the second year. For UVa Medical Center, this adds an additional \$1,437,251 in the first year and \$1,985,355 in the second year. **JCC** also restores \$4.6 million general funds in the first year to UVa to reflect the impact of losing inflation and the prior indigent care reductions. **JCC** adds language to allow DMAS to increase Medicaid payments to teaching hospitals to make up for limits on DSH payments that the agency would normally make. (Item 307, page 226 and 238)

Duplication of Services with Augusta Health – **JCC** requires UVa Hospital to engage in substantive dialogue with Augusta Health to avoid or resolve issues surrounding possible duplication of health services. The parties must report their progress to the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2012. (Item 199, page 153)

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 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. **JCC** eliminates this item. (Item 105, page 74-75)

Cancer Research – As part of a Higher Education Research Initiative, **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

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to UVa to support cancer and medical translational research, and \$1.5 million to VCU. **JCC** eliminates Higher Education Research Initiative funding and distributes directly: \$1.5 million in each year to UVa, \$1.5 million in each year to VCU, and \$1.5 million in the first year to Hampton University. (Item 253, page 180 and Item 297, page 222)

Competitive Research Grant - As part of a Higher Education Research Initiative, **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. **JCC** eliminates the funding. (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. **JCC** revises to \$2 million contingent funding in year two from the Federal Action Contingency Trust established in the Caboose Bill. (Item 105, page 74)

Commonwealth Research Commercialization Fund (CRCF) – Consistent with 2010-12, **Governor** appropriates \$10 million in the second year: \$4 million general funds to the Center for Innovative Technology (CIT)'s GAP Funds and \$6 million to the CRCF. Of the funds provided to the CRCF, \$2 million shall be used for a Small Business Innovation Research Matching Fund Program for Virginia-based technology businesses). **JCC** revises to appropriate \$8 million in the first year and \$5 million in the second year: \$3.2 million in the first year and \$2 million in the second year to the CIT's GAP Funds and \$4.8 million in the first year and \$3.0 million in the second year to the CRCF, earmarking up to \$1.5 million in the first year and \$1.5 million in the second year of the general fund amounts deposited into the CRCF to match federal Small Business Technology Transfer program grant funds. **JCC** proposes language that any balances not allocated by the Small Business Innovation Matching Research Fund at the end of the year shall remain in the Commonwealth Research and Commercialization Fund. Language also added that no funding in the Fund shall be used to fund an eminent researcher recruitment program. **JCC** proposes language that defines a university research consortium that includes Virginia colleges and university member institutions as a qualifying institution for purposes of seeking funding from the CRCF. ((Item 105, page 74; Item 243, page 306; Item 423, page 306)

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

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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. **JCC** eliminates this funding and adds language that the activity could be funded from the research commercialization program. (Item 423, page 306)

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. **JCC** eliminates this funding and adds language that the activity could be funded from the research commercialization program. (Item 423, page 306)

Virginia Economic Development Partnership (VEDP) – **Governor** provides \$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. **JCC** eliminates the funding. (Item 123, page 85)

Virginia Logistics Research Center – **JCC** provides funding for TJ21 initiatives as part of UVa's appropriation that shall be utilized, in part, to develop the Virginia Logistics Research Center. (Item 195, page 149)

Innovation Center and Research and Development Center for Advanced Manufacturing and Energy Efficiency – **JCC** provides \$225,000 general funds and 5.0 FTEs in each year for the new Innovation Center and the Research and Development Center for Advanced Manufacturing and Energy Efficiency in the Southern Higher Education Center. (Item 250, page 178)

Shenandoah Valley Center for Manufacturing – **JCC** provides \$195,000 in the second year to assist in the establishment of a Center for Manufacturing in the Shenandoah Valley region. (Item 123, page 85)

Virtual Reality Driving Simulators – **JCC** provides \$200,000 to the Department of Motor Vehicles in the first year for a pilot project with UVa to evaluate virtual reality driving simulators as a tool for assessment of driving competency. (Item 435, page 334)

Dahlgren Education and Research Center (DERC) – **JCC** provides \$650,000 in year one and \$500,000 in year two for additional operational support of this facility. General funds will begin to decrease as the facility becomes self-supporting. (Item 192, page 149)

Federal Action Contingency Trust (FACT) – **Governor** creates a \$20 million fund in the second year to help prepare the Commonwealth for future federal spending reductions. **JCC** adds language that the reserve will be used to address losses due to Base Realignment and Closure Commission (BRAC); of direct federal grant funding, to provide incentives to retain or

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consolidate federal facilities in Virginia, to address federal tax policy changes, and to assist businesses impacted by the cutback of federal procurement or defense contracts; also establishes an advisory committee to oversee distribution of the funds. (Item 470, page 160)

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)

Facility Inventory and Condition System (FICAS) – **JCC** provides \$175,000 and 1 FTE in each year for the continued operation of FICAS. (Item 79, page 55)

Higher Education

Achieving Goals of HEOA of 2011 – **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. **JCC** eliminates guidelines related to implement the Virginia Higher Education Opportunity Act of 2011 and re-directs resources toward base operating support, enrollment growth, STEM-H initiatives, faculty salary increases and additional undergraduate and graduate aid. (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. **JCC** provides specific allocation amounts, approximately equal to 1.5% in the first year and 2.0% in the second year, to each public higher education institution as part of its appropriation. (Item 195, page 151 and Item 202, page 154)

4VA Public-private Partnership – **JCC** restores language included in the 2010-12 Appropriation Act related to this partnership in order to insure continued collaboration and resource sharing between the four institutions. (Item 195, page 151)

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-

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income and middle-income in-state students and their families. **JCC** eliminates this provision. (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. **JCC** propose language to eliminate reversion of interest earnings from auxiliaries. (Item 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 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. **JCC** eliminates the \$600,000 general funds in each year for the establishment of College Partnership Laboratory Schools. (Item 138, page 94)

Virtual Library of Virginia – **Governor** increases funding to the Virtual Library by \$2.8 million general funds in each year of the biennium. **JCC** reduces funding to \$1.4 million in each year. (Item 144, page 127)

Virginia Women's Institute for Leadership – **Governor** begins phase out of this program over the biennium. **JCC** maintains support for the program at \$307,899 per year. (Item 146, page 127)

Recruit Math and Science Students – **Governor** appropriates \$300,000 general funds 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. **JCC** eliminates funding for the pilot initiative. (Item 138, page 96, Item 146, page 128)

Virginia Aerospace Science and Technology Scholars (VAST) program – **JCC** provides \$100,000 in each year to serve an additional 300 high school students in the program; over 90% of program graduates pursue degrees in STEM undergraduate programs (Item 144, page 124)

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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 in 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)

Higher Education Equipment Trust Fund – **JCC** provides an additional \$6.1 million allocation in the first year for research under the Higher Education Equipment Trust Fund, of which UVa receives \$2.3 million. (Item 254, page 181)

Virginia Science, Technology, Engineering, Applied Mathematics (STEAM) Academy – **JCC** provides \$200,000 for a feasibility study to consider establishing a STEAM Academy, which would be a residential facility designed to foster the educational development of high school students academically talented in the areas of science, technology, engineering, and applied mathematics. (Item 137, page 94).

SCHEV Base Funding – **JCC** provides \$200,000 in each year related to additional responsibilities. (Item 146, page 127)

Student Loan Reimbursements - **JCC** adds language directing the State Treasurer to work with universities to develop policies and procedures to minimize the use of paper checks when issuing any reimbursements of student loan balances. (Item 277, page 199).

Out-of-State Capital Outlay Fee - **JCC** increases the Out-of-State Capital Outlay Fee by \$1.50 per credit hour and adjusts for new enrollment; impact to UVa is \$463,932. This will require UVa to divert a total of \$5,856,656 from tuition collected from out-of-state students to the Commonwealth for debt service on buildings and equipment. (Item 280, page 203)

Higher Ed Center Director Salaries – **JCC** adds language to allow higher ed centers to supplement directors' salary from NGF similar to institutions of higher education. (Item 4-6.01, page 436)

NGF Changes – **JCC** adds language requiring a report in December and June from Secretaries of Education and Finance on the increase and transfer to the NGF at institutions of higher education, including a justification for the increase or transfer and relative impact on student groups. (Item 4-8.01, page 445)

Restructuring – **JCC** adds language allowing Level II institutions to request a third area of additional operational authority after demonstrating success with the first two areas granted. (Item 4-9.03, page 450)

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Two Year College Transfer Grant Program – **JCC** increases funding for program by an additional \$600,000 in each year and increases family EFC from \$8,000 to \$9,000 for new students in fall 2012. (Item 144, page 126)

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 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 – **Governor** proposes that costs incurred by line agencies to interface into the new statewide financial management system will be borne by the agencies impacted. **JCC** adds language that the Comptroller ensure that common data definitions and standards are finalized and implemented prior to the statewide development of the Cardinal system and prior to accessing working capital advances; such standards are more than 2 years overdue. (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)

Administrative Efficiencies – **JCC** includes a reserve of \$13 million representing a budget reduction of about 1% of the general fund salary base. Higher education is not explicitly exempt, but it is believed that this will not apply to institutions of higher education, due to re-allocations incorporated in higher ed items specifically. (Item 471 page 362)

Sheriff Certification – **JCC** adds language that the Sheriffs' Career Development Program will include certification by the Weldon Cooper Center for Public Service. (Item 68, page 41)