

**Report on Governor's Amendments to 2012-14 Appropriations Act
with Joint Conference Committee (JCC) Amendments
(HB1500/SB800)**

Sources of Information

The 2012-14 Appropriation Act (HB1500/SB800) is available at <http://leg2.state.va.us/MoneyWeb.NSF/sb2013>. The Senate, House, and JCC amendments are available at <http://leg2.state.va.us/MoneyWeb.NSF/bud2013>.

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

The University's Office of State Governmental Relations maintains the most recent analysis of the Budget Bill and the 2013 General Assembly Session at <http://www.virginia.edu/governmentalrelations/>.

Compensation and Benefits

Salary Increase - The **Governor** left in place a 2 percent salary increase on July 10, 2013. As applied to U.Va., this action results in an across-the board salary increase for classified employees who meet expectations and a merit-based increase for University staff, Administrative and Professional (A&P) faculty, and Teaching and Research (T&R) faculty. (Item 468, page 430)

The **JCC** provides funding to increase the salary adjustment for faculty from 2 percent to an average of 3 percent, effective July 25, 2013. The **JCC** keeps in place a 2 percent salary increase, effective July 25, 2013, for other state employees and adds a base salary increase of \$65 per service year (up to 30 years) for employees who have five or more years of continuous state service. Under language added by the **JCC**, University staff employees are excluded from the across-the-board 2 percent salary increase and \$65 per year of service; instead, the **JCC** adds language authorizing the University to provide University staff with salary adjustments based on performance and other employment-related factors as long as the increases do not exceed what the average would have been under the general methodology authorized for classified staff increases.

Health Benefits for Part-time Employees - In accordance with the federal Affordable Care Act, the **Governor** adds language that employees working 30 hours or more per week on average per month be considered, for health benefits purposes only, full-time employees eligible to participate in the health benefits plan with the standard contribution. Wage employees may not work more than 29 hours per week on average per month. (Sec. 4-7.01, page 535) The **JCC** clarifies that wage employees may not work more than 29 hours per week on average over a 12-month period.

Surcharge for Transition from VRS to Defined Contribution Plan - This **JCC** introduces language clarifying that the employer-paid surcharge charged for employees who transition from the traditional VRS system to a defined contribution retirement plan does not apply to employee groups that have traditionally had the option of participating in the Higher Education Optional Retirement plan (i.e., employees engaged in teaching, administrative or research duties at

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institutions of higher education and University of Virginia Medical Center employees). (Item 468, page 432)

Research and Economic Development

Medical Research at Virginia Tech – The **Governor** provides \$972,883 general funds in FY14 to support brain disorder research at Virginia Tech. (Item 225, page 198) The **JCC** provides \$27,117 additional funds, for a total of \$1 million general funds in FY14.

Medical Research at VCU – The **Governor** provides \$250,000 general funds in FY14 to support the Parkinson's and Movement Disorders Center at Virginia Commonwealth University. (Item 208, page 186) In addition to this funding, the **JCC** provides \$175,000 general funds in FY14 to support Alzheimer's research and the Palliative Care program and \$1 million general funds in FY14 to expand cancer research.

Partnership between Eastern Virginia Medical School and others - The **JCC** provides \$200,000 general funds in FY14 to the College of William & Mary (CWM) to plan activities associated with a potential merger/partnership between CWM and Eastern Virginia Medical School (EVMS) and \$125,000 general funds in FY14 to Old Dominion University to plan a joint School of Public Health with EVMS. (Item 153, page 154 and Item 180, page 169)

Higher Education

Achieving Goals of the HEOA – The **Governor** added language that anticipated future funding to support the goals of Virginia Higher Education Opportunity Act of 2011 (HEOA, aka Top Jobs for the 21st Century (TJ21) will occur by category as follows: base operating costs (30%), financial aid (10%), degree incentives (16%), enrollment growth (24%), and initiatives/research (20%). (Item 195, page 178) The **JCC** eliminates this language.

Reallocation of General Funds to Support HEOA Goals – In lieu of budget reductions, the **Governor** directs each public higher education institution to set aside in FY14 the equivalent of 5 percent of its FY12 general funds support for educational and general (E&G) operations to reallocate toward the goals of the HEOA. The 5 percent reallocation is the combination of 2 percent in the current Appropriation Act and an additional 3 percent proposed by the Governor. (Item 195, page 177; Item 202, page 181) The **JCC** reduces the reallocation toward the goals of the HEOA to the original 2 percent and allows institutions to allocate an additional 1.5 percent of its E&G funds to address faculty compensation issues, operation and maintenance of new facilities, or other institutional initiatives/priorities.

Higher Education Restructuring Financial and Administrative Standards – Currently, the information technology standard is to complete projects exceeding \$1 million on time and on budget against their managed project baseline; any exception would cause the Secretary of Technology to review the circumstances. The **Governor** has expanded the scope to include projects of less than \$1 million if the project has high risk or complexity, is critical to the immediate security or safety of Commonwealth citizens, is a component of a larger IT project, or if the Governor has requested additional oversight. (Item 4-9.02.b.d.6, page 541) The **JCC**

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eliminates the Governor's scope expansion. Additionally, the **JCC** makes language changes to reflect recommendations by the Higher Education Advisory Committee and SCHEV with regard to the process of assessing institutional performance under higher education restructuring and the Top Jobs legislation.

Long-term Funding Policy for Higher Education – The **Governor** directs the Secretaries of Education and Finance, Higher Education Advisory Committee, Director of DPB, Executive Director of SCHEV, and House Appropriation/Senate Finance staff to develop, by September 15, 2013, a long-term funding policy for higher education consistent with the goals and guidelines set forth in the Virginia Higher Education Opportunity Act of 2011. (Item 130, page 104) The **JCC** adds language authorizing the Secretary of Education, in consultation with the Virginia Community College System and the Board of Education, to coordinate with other stakeholders from school divisions, higher education institutions, and the private business sector to consider and review potential planning steps necessary to develop and implement a conceptual model for an Integrated School of the Future.

College Preparatory Laboratory Schools - The **Governor** provides \$600,000 general funds in FY14 to plan for the development and implementation 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 103) The **JCC** maintains the Governor's proposal.

Establish Virginia Center for Excellence in Teaching – The **Governor** provides \$220,000 general funds in FY14 to establish the Virginia Center for Excellence in Teaching, which will offer a series of residential summer professional development academies for exemplary teachers. The Department of Education will solicit competitive proposals for funding from institutions of higher education to create and operate the Center. (Item 131, page 105) The **JCC** maintains the Governor's proposal.

Innovative Education Technical Advisory Group – The **Governor** adds \$100,000 general funds in FY14 (for a total of \$200,812) to support the Innovative Education Technical Advisory Group to assist the establishment of charter, college laboratory, or virtual schools or other instructional delivery or school governance models in Virginia. (Item 137, page 109) The **JCC** maintains the Governor's proposal.

Virginia Scholarship Assistance Program – The **Governor** eliminates language requiring the College Scholarship Assistance Program to allocate discretionary financial aid funds based on a need-based model approved by SCHEV. Instead, allocations will be made for purposes of addressing student retention and graduation. (Item 144, page 146) The **JCC** redirects \$4.4 million general funds in FY14 from the College Scholarship Assistance Program to other need-based aid priorities in higher education.

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Tuition Assistance Grants – The **Governor** adds \$600,000 general funds in FY14 (for a total of \$1.85 million) to the tuition assistance grants (TAG) designated for the Virginia Military Survivors and Dependents Program (VMSSDP). Additionally, the **Governor** transfers funding from FY13 to FY14 to accommodate changes in enrollment and award amount; this action will increase the grant award from \$2,800 to \$3,100 for undergraduate students and from \$1,300 to \$1,500 for graduate and medical students. (Item 144, page 146 and 148) The **JCC** redirects \$771,000 from the TAG program toward other higher education priorities, clarifying that the annual VMSSDP stipend increases from \$1,500 to \$1,800 as a result of the proposed funding levels.

Student Financial Aid for Work Study - The **Governor** adds language to expand state student financial aid, allowing it to be used for the purpose of supporting work study programs. (Sec. 4-5.01, page 513) The **JCC** maintains the Governor’s proposal.

Two-year Transfer Grants – The **JCC** proposes a language change to increase the estimated family contribution from \$9,000 to \$12,000, indicating funding within the program is sufficient to incorporate the change. (Item 144, page 148)

Virginia Teaching Scholarship Loan Program – The **Governor** eliminates all funding (\$708,000) in FY14 for the Virginia Teaching Scholarship Loan Program, which is designed to attract top students into the teaching profession. (Item 138, page 110) The **JCC** restores funding to \$708,000 and refines eligibility requirements.

Additional SCHEV Data Position – The **JCC** provides \$25,000 general funds and 1.0 FTE in FY14 for additional operating support to increase SCHEV’s research and analysis function and to enhance consumer information regarding higher education. (Item 146, page 150)

Medical Center Related

Overview of Medicaid Reform and Expansion – The **JCC** directs the simultaneous pursuit of Medicaid reform and expansion. As summarized by the Virginia Hospital & Healthcare Association, the language of the compromise between the Senate and House on Medicaid reform and expansion has three key elements, it:

- directs Secretary of Health and Human Resources and DMAS to develop a “comprehensive value-driven, market-based reform of the Virginia Medicaid/FAMIS programs” in three phases;
- authorizes DMAS to pursue the waivers and plans necessary to implement the optional coverage expansion; and
- establishes the Medicaid Innovation and Reform Commission (with 10 legislative members, five each from the House Appropriations and Senate Finance Committee) whose approval would be required to implement the expansion (Item 307, page 280).

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Other

Changes in Reporting on Major Information Technology Projects – The **Governor** reduces required reporting in the Recommended Technology Investment Projects (RTIP) report. (Item 427, page 368) The **JCC** maintains the Governor's proposal.

Elimination of Commonwealth Competition Council - The **Governor** eliminates the Commonwealth Competition Council and the associated savings recovery fund that was used by DPB to defray the costs of providing staff and operational support to the council. (Item 271, page 226) The **JCC** maintains the Governor's proposal.

O&M for Southwest Virginia Higher Education Center – The **Governor** provides \$117,500 general funds in FY14 to support half of the operating and maintenance costs for the Southwest Virginia Higher Education Center's new research facility. (Item 251, page 211) The **JCC** does not address the issue.

Cyber-Security Accelerator – The **JCC** provides \$2.5 million general funds to establish a cyber-security accelerator that will be managed by the Center for Innovative Technology (CIT). The CIT is directed to recruit companies for the accelerator regionally, and any participating company must agree to start and operate in the Commonwealth. Participating companies will be guided through a company initiation and development process supported by key cyber-security professionals, investors and technologists. (Item 423, page 365)

Modeling and Simulation Initiatives – The **JCC** eliminates \$520,000 previously designated in the original Appropriation Act for modeling and simulation initiatives. The funding will be redirected to the cyber-security accelerator fund. (Item 423, page 365)

Governor's Budget Submission – The **JCC** adds language requiring the Governor to submit his amendments to the biennial budget using half-sheets rather than an executive budget document. (Item 4-14.00, page 545)

Commonwealth Research and Commercialization Fund – The **JCC** removes the restriction in the 2012-14 Appropriation Act that funding from the Commonwealth Research and Commercialization Fund cannot be used for an eminent researcher recruitment program. (Item 105, page 85)