

# Key Features of the Senate Finance Committee Amendments to Senate Bills 29 and 30 (February 19, 2012)

## Public Education

- Provides a net increase of \$165.0 million GF above the budget as introduced for K-12 education.
- Adds \$45.0 million for Additional Assistance for school divisions with the Teacher Retirement Employer Contribution Rates in the introduced budget.
  - Senate Bill 498, passed unanimously by the Senate, puts forth a state commitment to address the unfunded liability in the VRS without doing harm to promised benefits for current teachers and other public employees.
- Continues class size, textbook, carry-over and other flexibility provisions adopted in recent years. Adds additional flexibility in FY 2013 in meeting the requirements of the K-3 Class Size Reduction Program.
- Supports the early grades by adding \$47.1 million for the technical update to the K-3 Class Size Reduction Program; restoring \$18.2 million to the Virginia Preschool Initiative for At-Risk Four-Year-Olds; and adding \$8.2 million to fully fund the Early Intervention Reading Initiative through 3<sup>rd</sup> Grade.
- Supports the provisions of the diploma reform legislation by adding \$2.0 million for Department of Education Virtual Virginia courses and sections, and \$2.0 million for Career and Technical Education equipment reimbursements.

## **Other Education**

- Restores aid to local libraries and grants to arts organizations to their FY 2012 levels.

## **Higher Education**

- Provides a net increase of \$3.2 million above the budget as introduced for higher education, a total of about \$215 million over the budget approved during the 2011 Session.
- Includes almost \$19.1 million for a two percent faculty salary increase beginning June 25, 2013.
- Provides \$41.3 million over FY 2012 for financial assistance. Amendments include an additional \$11.5 million for undergraduate financial aid (a total of \$24.2 million over the biennium), \$1.8 million for graduate financial aid, \$2.6 million for expanded eligibility under the two-year transfer grant, and \$970,000 for a grant program for members of the Virginia National Guard.
- Includes the restoration of \$10.5 million in auxiliary enterprise interest.
- Provides an allocation of \$12.2 million over the introduced budget for additional research equipment from the Higher Education Equipment Trust Fund.
- Includes \$1.0 million for cooperative extension services at Virginia Tech.

## Health and Human Resources

- Provides a net increase of \$28.0 million more than the introduced budget for Health and Human Resources.
- Includes additional general fund spending of \$124.0 million offset by savings of \$96.0 million, largely related to adjustments in the Medicaid forecast.
  - Of the new spending in HHR, \$113.0 million is used to restore budget reductions included in the introduced budget; and,
  - \$11.0 million for strategic investments to reduce other costs.
- Restores \$140.0 million in total funds (\$78.0 million GF) for hospitals and nursing homes, including UVA Medical Center and VCU Health System, to recognize modest inflation growth and correct an error in funding for the teaching hospitals;
- Restores \$11.6 million GF for the health care “safety net”, including:
  - \$4.8 million for the Virginia Health Care Foundation, free clinics and community health centers;
  - \$3.6 million to provide effective prescription drug treatments for people with mental illness; and,
  - \$1.9 million to ensure access to dental care at local departments of health.
- Restores \$8.0 million GF for children’s services including:
  - \$6.1 million for services to special education children to keep them out of more restrictive and expensive placements; and,

- \$1.9 million for child advocacy centers to help children who have been victims of child abuse navigate the court system.
- Restores \$2.9 million to local departments of social services to address rising caseloads, \$2.0 million to restore the hours of personal care provided to disabled individuals and \$1.0 million to restore funding for vocational support and assistance to people with physical disabilities including individuals with brain injuries.
- Adds almost \$11.0 million GF for strategic investments to minimize future costs including:
  - \$2.2 million to provide health services for legal immigrants including pregnant women and children to lower uncompensated care costs at Virginia hospitals;
  - \$2.2 million for Child Psychiatry demonstration projects to promote the early detection and treatment of children with emerging mental illnesses; and,
  - \$2.0 million to expand drop-off centers so that law enforcement officials can divert people with mental illness from jails and into treatment.
- Offsets additional general fund spending by \$96 million including:
  - \$51.9 million to correct assumptions about the cost of implementing federal health care reform;
  - \$17.7 million to adjust projected spending on children in the Comprehensive Services Act; and,
  - \$12.9 million to correct projected savings related to federal bonus payments to increase children's enrolment and projected hospital inflation.

## Transportation

- Directs over \$57.3 million in FY 2011 undesignated general fund balances to the Intercity Passenger Rail Operating and Capital Fund.
  - Allows for continued daily passenger rail service from Lynchburg, Richmond, and Newport News;
  - Accelerates additional daily service from Hampton Roads; and,
  - Fulfills the commitment to Governor McDonnell's 2011 comprehensive transportation reform and funding legislation.
- Provides reliable access to jobs for millions of commuters by directing an additional \$9.9 million in undesignated general fund balances to Virginia's mass transit programs.
- Eliminates the proposed diversion of \$110.6 million in sales tax revenues to transportation. The Senate passed legislation providing a long-term and sustainable solution to Virginia's transportation funding challenge.
- Endorses the Governor's proposal to increase specific fees within the Department of Motor Vehicles, generating almost \$10.0 million to support critical driver licensing and vehicle registration services.
- Provides \$1.0 million to establish a Commonwealth Tolling Assistance Pilot Project directed at alleviating the burden of low-income college students in Hampton Roads.
  - Recognizes the significant financial burden that tolling existing infrastructure places on the citizens who rely on these facilities for their daily commute.

## **Agriculture, Forestry and Natural Resources**

- Provides \$44.1 million in FY 2013 for agricultural best management practices to control nonpoint source water pollution.
  - The Senate has also passed legislation to provide bonds totaling \$300 million for wastewater treatment plants and \$78 million for combined sewer overflow projects to control point source water pollution.
- Restores proposed budget cuts of \$4.1 million to Soil and Water Conservation Districts, \$2.0 million to the Virginia Land Conservation Fund, and \$1.6 million to State Parks.
- Provides \$2.0 million for civil war battlefield preservation.
- Provides \$2.0 million for the Governor's Agriculture and Forestry Industries Development Fund to support local processing facilities for agricultural products.
- Provides \$1.9 million for reforestation of timberlands.
- Provides funding in the Marine Resources Commission to include \$1.5 million for oyster restoration, \$1.0 million for the marine debris removal program, and \$400,000 to restore the VA Saltwater Fishing Tournament.

## **Economic Development**

- Provides over \$125 million for economic development incentive payments.
- Eliminates a proposed employer surcharge on unemployment trust fund taxes and provides \$6.7 million from the Virginia Employment Commission Penalty and Interest Fund to pay

interest owed to the federal government from past borrowing to pay unemployment claims.

- Provides \$3.3 million for grant funds to encourage investment in small businesses and \$6.0 million to encourage manufacturers to invest in new machinery and tools.
- Provides \$3.0 million for homeless prevention and intervention programs and \$900,000 for foreclosure prevention counseling.

### **Public Safety**

- Closes Mecklenburg Correctional Center in order to adjust to the loss of \$20.4 million NGF each year, which is no longer available because out-of-state inmates from Pennsylvania are returning to their home state.
- Provides a one-time transitional payment of up to \$95,000 to the Town of Boydton in FY 2012, in recognition that the Department of Corrections will no longer be purchasing wastewater treatment services from the town, due to the closure of Mecklenburg Correctional Center.
- Restores \$1.3 million GF each year for payments in lieu of taxes or service charges to specified localities in which correctional facilities are located.
- Provides an additional \$0.4 million GF and five new positions each year for the Department of State Police to eliminate delays in the firearms transaction and criminal records background check program.
- Adds \$2.7 million the first year and \$1.5 million the second year to provide 43 non-sworn State Police surveillance officers to monitor offenders on the sex offender registry.

- Adds \$2.9 million the first year and \$3.1 million the second year to fill 40 State Trooper vacancies.
- Consolidates the Department of Correctional Education into the Departments of Corrections and Juvenile Justice.

### **Virginia's Court System**

- Provides \$6.4 million the first year, \$6.5 million the second year, and a total of 136 new positions for the clerks of the district courts to improve access to the general district and juvenile and domestic relations district courts.
- Includes language to “unfreeze” ten judicial vacancies, including one circuit judgeship each in the 9<sup>th</sup>, 10<sup>th</sup>, 17<sup>th</sup>, and 22<sup>nd</sup> circuits, one general district judgeship each in the 6<sup>th</sup>, 11<sup>th</sup>, and 31<sup>st</sup> districts, and one juvenile and domestic relations district judgeship each in the 9<sup>th</sup>, 11<sup>th</sup>, and 28<sup>th</sup> districts.

### **Employee Compensation**

- Includes a bonus payment of three percent for state employees on December 16, 2012, contingent upon a revenue surplus.
  - Structured in the same way as the successful three percent bonus granted to state employees in 2010;
  - Estimated to cost \$77.2 million GF; and,
  - Provides that any shortage in year end balances will be covered from the Non-recurring Reserve Fund.
- Includes \$58.8 million for a two percent salary increase for state employees and state-supported local employees.

- State employees and state-supported local employees will see this increase in their July 16 paychecks;
- State employees have not seen a salary increase since December 2007; and,
- Funds are included for a similar increase for faculty at Virginia's institutions of higher education.
- Does **not** include any further changes to the retirement programs for current state and local employees.
  - Consistent with the provisions of Senate Bill 498, which passed the Senate unanimously;
  - Begins the phase-in toward full payment of the VRS board's employer contribution rates; and,
  - Puts Virginia in the vanguard of pension modernization.

## **General Government**

- Provides \$61.8 million to create a "Non-recurring Reserve Fund." Monies from this fund would be available to:
  - "Back-fill" any shortage of funds for the December 2012 bonus payment to state employees;
  - Further reduce the existing reduction in aid to localities by up to \$50 million in FY 2013, and,
  - Allocate any remaining funds to the FACT fund.

## Capital Outlay

- Recommends a total general fund supported bond program of \$472.3 million:
  - \$129 million above the budget, as introduced;
  - Represents about half of what could be supported by projected debt capacity; and,
  - Could create almost 10,000 jobs.
- Provides \$288.6 million for general fund-supported capital projects. Tax-supported debt for equipment, construction and renovation projects makes up \$267.3 million (over 92 percent) of this total. This could create over 8,700 jobs for Virginians who work in the construction industry and their suppliers.
  - Provides \$52.7 million (from all funds) for preplanning and detailed planning of 75 future projects. Of this amount:
    - \$21.4 million is to be paid from the Capital Planning Fund for preplanning and detailed planning of 63 future projects;
    - Another \$31.3 million from nongeneral funds is recommended for detailed planning of twelve more projects, bringing the total for detailed planning to eighteen; and,
    - Planning for projects needed in the near future could create over 1,200 jobs in fields such as engineering, architecture, interior design, cost estimation, surveying, as well as in those businesses that support and supply them.

- Requires the sale of the 9<sup>th</sup> Street Office Building in Richmond.
  - Private sector can participate in redevelopment.
  - \$9.5 million in estimated proceeds from the sale.

## **Revenues**

- Reverses the proposed \$110.7 million sales tax diversion to transportation in order to fund education and health and human resources priorities.
- Includes \$68.4 million from the National Mortgage Servicing Settlement:
  - \$61.8 million set aside in Non-recurring Reserve Fund.
  - Appropriates \$6.6 million for one-time capital project planning.
- Reflects \$33.5 million in projected revenue from the impact of SB 597, sales tax from businesses with a presence in Virginia.