Department of Planning and Budget
2012 Fiscal Impact Statement

1. **Bill Number:** SB678

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** McDougle

3. **Committee:** General Laws and Technology

4. **Title:** State government; Governor's reorganization of executive branch.

5. **Summary:** This bill presents the Governor's reorganization plan for the executive branch of state government.

6. **Budget Amendment Necessary**: No. The introduced budget anticipates savings from the passage of this legislation.

7. **Fiscal Impact Estimates:**

Expenditure Impact

	Agencies	Board and commissions	Total
2013 GF	($1,114,244)	($145,359)	($1,259,604)
2013 NGF	$0	($231,451)	($231,451)
2014 GF	($1,975,088)	($145,359)	($2,120,448)
2014 NGF	$0	($231,451)	($231,451)
2015 GF	($1,975,088)	($145,359)	($2,120,448)
2015 NGF	$0	($231,451)	($231,451)
2016 GF	($1,975,088)	($145,359)	($2,120,448)
2016 NGF	$0	($231,451)	($231,451)
2017 GF	($1,975,088)	($145,359)	($2,120,448)
2017 NGF	$0	($231,451)	($231,451)
2018 GF	($1,975,088)	($145,359)	($2,120,448)
2018 NGF	$0	($231,451)	($231,451)
2019 GF	($1,975,088)	($145,359)	($2,120,448)
2019 NGF	$0	($231,451)	($231,451)

8. Fiscal Implications:
The bill reorganizes the executive branch of state government by eliminating or consolidating a number of boards, commissions, functions, and agencies. The bill also deregulates two programs and moves functions between agencies.

Elimination or Merger of Boards and Commissions

The elimination of boards and commissions can save money in several ways. The first is through direct costs of operating the board or commission. These costs include paying travel expenses or per diem for board members, printing costs for meeting materials, etc. These costs could also include agency incurred support costs related to providing the board or commission with computers or other materials. Board and commission eliminations also will produce indirect costs savings from the elimination of staff time and other resources dedicated by the agencies involved with the board or commission. This staff time does not result in direct, quantifiable budgetary savings, but does generate resources that can be redirected to other priorities.

The savings resulting from the merger or elimination of the boards and commissions are listed in the table below (in the order they appear in the bill). Those savings are included in the introduced budget. All board and commission mergers and eliminations are effective July 1, 2012, with the exception of the merger of the Northern Virginia Transportation Commission into the Northern Virginia Transportation Authority, which is effective July 1, 2013, and the elimination of the Board of Towing and Recovery Operators, which is effective January 1, 2013.

Summary of Actions in SB 678

Merge or Eliminate	Board/Commission	Direct GF	Direct NGF	Total Direct
Eliminate	Commonwealth Competition Council	($375)	$0	($375)
Eliminate	Interagency Dispute Resolution Council	$0	$0	$0
Eliminate	Virginia Public Buildings Board	$0	$0	$0
Eliminate	Virginia Council on Human Resources	($1,317)	$0	($1,317)
Merge	Reforestation of Timberlands Board into the Board of Forestry	$0	($250)	($250)
Merge	Seed Potato Board into the (New) Potato Board	$0	($137)	($137)
Merge	Consolidate the Bright Flue-Cured Tobacco Board and the Dark-Fired Tobacco Board into a single, unified Tobacco Board.	$0	($1,580)	($1,580)
Merge	Pesticide Control Board into the Board of Agriculture and Consumer Services	$0	($5,953)	($5,953)

Summary of Actions in SB 678, Continued				
Merge or Eliminate	**Board/Commission**	**Direct GF**	**Direct NGF**	**Total Direct**
Merge	Board for Hearing Aid Specialists into (New) Board of Vision and Hearing Devices	$0	($53,052)	($53,052)
Merge	Board for Opticians into (New) Board of Vision and Hearing Devices	$0	($103,234)	($103,234)
Merge	Board of Geology into (New) Earth Sciences Board	$0	($35,685)	($35,685)
Merge	Board of Professional Soil Scientists and Wetlands Professionals into (New) Earth Sciences Board	$0	($10,496)	($10,496)
Eliminate	Small Business Advisory Board	($3,618)	$0	($3,618)
Eliminate	Board of Mineral Mining Examiners	$0	($1,293)	($1,293)
Eliminate	Public Broadcasting Board	($7,000)	$0	($7,000)
Merge	Consolidate the Advisory Board on Child Abuse and Neglect with the Family and Children's Trust Fund to create the Family and Children's Trust Fund and Advisory Board.	($100,638)	$0	($100,638)
Eliminate	Hemophilia Advisory Board	($714)	$0	($714)
Eliminate	Sewage Handling and Disposal Appeal and Review Board	($7,301)	$0	($7,301)
Eliminate	Child Day Care Council	($7,365)	($11,171)	($18,536)
Merge	Merge Virginia Scenic River Board into Board of Conservation and Recreation.	($6,884)	$0	($6,884)
Merge	Merge the Chippokes Plantation Farm Foundation and Board of Trustees.	($4,777)	$0	($4,777)
Eliminate	Boating Advisory Committee	$0	$0	$0
Eliminate	Council on Indians	$0	$0	$0
Eliminate	Board of Trustees, Foundation for Virginia's Natural Resources	$0	$0	$0
Eliminate	Board of Correctional Education	($4,890)	$0	($4,890)
Eliminate	Virginia Juvenile Enterprise Committee	($480)	$0	($480)
Eliminate	Board for Transportation Safety	$0	($8,600)	($8,600)
Eliminate	Board of Towing and Recovery Operators (effective January 1, 2013)	$0	$0	$0
Total		**($145,359)**	**($231,451)**	**($376,810)**

Deregulation of Industries

The bill also deregulates two programs – hair braiding, and mold inspecting and remediation.

The deregulation of industry does not generally result in budgetary savings. The industries that are regulated in Virginia pay fees to the occupational board that regulates them and those fees would not be collected if the industry is no longer regulated.

For the deregulation of the two programs, the Department of Professional and Occupational Regulation (DPOR) would see a decrease in revenue and a fairly minimal decrease in expenditures. Each program is part of a larger board. Hair braiders are regulated under the Board for Barbers and Cosmetology and mold remediators and inspectors under the Board for Asbestos, Lead, Mold and Home Inspectors. Due to the small regulant population size of these programs, no reductions in DPOR staff are expected.

Decreased annual revenue is expected for hair braiding of approximately $30,845. The current regulated population is 434 hair braiders, salons and schools. Application and renewal fees are presently $140 for individuals, $225 for salons, and $255 for schools. Decreased annual expenditures would be a minimal $250 for hair braiding, as 75,056 regulants under this board will remain. DPOR does not anticipate any need to increase fees as a result of the loss of revenue for the Board for Barbers and Cosmetology, as a fee increase was recently adopted in September, 2011.

Decreased annual revenue is expected for mold remediators and inspectors of approximately $18,250. The current regulated population is 484 mold remediators and inspectors. Application and renewal fees are presently $25. Application fees for courses are $400 per one day class, and $100 for renewal. Decreased annual expenditures would be about $1,550 (including one board member expenses of $750). A regulant population of 6,018 will remain under this board. The Board for Asbestos, Lead, Mold and Home Inspectors will require a fee increase by FY 2015 and the administrative process is about to start to amend the regulations. This need for a fee increase is not a result of the possible loss of mold remediators and inspectors; however, it is possible that the loss of mold remediator and inspector revenue could result in a cash deficit during the course of the administrative process. This process can take upwards of two or three years.

Transfer of Functions from One Agency to Another

The transfer of functions from one agency to another does not normally result in budgetary savings. In all cases existing staff and resources are being moved from one agency to another. All transfers of functions in this bill are effective July 1, 2012, with the exception of the Transfer Municipal Separate Storm Sewer (MS4) Permitting from DCR to DEQ, which is effective July 1, 2014.

Merge the Office of Consumer Affairs into the Office of the Attorney General.

The Department of Agriculture and Consumer Services (VDACS) anticipates that eight positions, along with associated salaries and benefits, will transfer to the Office of the Attorney General (OAG). The database associated with the consumer affairs unit at VDACS may not be compatible

with other databases utilized by the OAG. Any cost to replace the system is indeterminate at this time. In addition, the compatibility of the phone system supporting the consumer affairs unit with other telephonic systems at the OAG has not been determined.

Transfer the Virginia Office of Environmental Education to the Department of Conservation and Recreation (DCR) from the Department of Environmental Quality (DEQ).
This bill transfers all of the environmental education activities that are currently administered by the Department of Environmental Quality (DEQ), to the Department of Conservation and Recreation (DCR). Currently, DEQ expends approximately $390,000 per year and employs 3.5 positions for these responsibilities. DEQ uses a variety of funding types to support program and personnel costs related to environmental education. Of the total annual funding, general fund appropriation accounts for approximately 63 percent, federal funds 29 percent, and all other nongeneral funds, seven percent. Nongeneral fund sources include: special (0200) funds, revenue to the Waste Tire Trust Fund, and Mobile Source Fees (as transferred from the Department of Motor Vehicles). DEQ anticipates that one-time costs related to moving and information technology would be incurred as a result of the transfer.

Transfer Municipal Separate Storm Sewer System (MS4) Permitting from DCR to DEQ.
This bill consolidates the municipal separate storm sewer system (MS4) water quality program managed by the Department of Conservation and Recreation (DCR) with a similar program that is administered by the Department of Environmental Quality (DEQ) effective January 1, 2014, or upon the U.S. Environmental Protection Agency's authorization for delegation of program authority to the State Water Control Board, whichever is later. Currently, DCR employs two environmental specialists at an annual average salary with benefits of $73,000 to administer the agency's MS4 program. Support for these positions comes entirely from nongeneral fund sources. Other nonpersonal costs associated with these positions totals $20,900; this includes costs such as rent, information technology, and insurance. Finally, DCR estimates that an additional $7,100 per year is spent to support these positions. In total, DCR expends approximately $187,800 for the two positions responsible for administering its share of the MS4 program.

Transfer the Functions of the Governor's Office of Substance Abuse Prevention (GOSAP) to the Virginia Department of Alcoholic Beverage Control (ABC).
The bill transfers the functions of GOSAP to ABC. The funding and positions have already been combined.

Elimination or Merger of Agencies

All agency mergers and transfers in this bill are effective July 1, 2012, with the exception of the consolidation of the Virginia Department of Social Services Adult Services and Adult Protective Services into the newly proposed agency consisting of the Virginia Department for the Aging, Department of Rehabilitative Services, the Virginia Department for the Deaf and Hard of Hearing, which is effective July 1, 2013.

Merge the Department of Employment Dispute Resolution (DEDR) into the Department of Human Resources Management (DHRM): creates a division of employment dispute resolution within DHRM. Consolidation of EDR with DHRM would create efficiencies by eliminating two positions and saving money on rent. Additionally, the agency head position would be eliminated and a new Division Director position would be created at a lower salary. In FY2013, the savings would not be realized due to moving costs and Workforce Transition Act (WTA) costs for the two employees whose positions are being eliminated. In FY 2014 and going forward, the savings will be $156,150.

Merge the Human Rights Commission (HRC) with the Office of Attorney General (OAG): merging HRC into the OAG would allow the agency head position to be eliminated, thus generating a savings from the salary and benefits. If the position is revised to a division manager position within OAG, salary savings of approximately $40,000 including benefits could be generated with potentially some additional savings from clerical staff. The savings in FY 2013 would be $87,018 and the savings in FY 2014 and going forward would be $149,413.

Eliminate the Virginia National Industrial Defense Authority (VNIDA): eliminates the 18 member board of the VNIDA and three full time positions and transfers the duties and functions of the authority under the auspices of the Secretary of Veterans Affairs and Homeland Security for efficiencies and savings. The authority is currently funded in Item 114.M of the Appropriation Act, as a pass-through in the Virginia Economic Development Partnership. Potential savings in FY 2014 and going forward are $395,251.

Create a new agency consisting of the Department of Rehabilitative Services and the Department for the Aging. The Virginia Department for the Deaf and Hard of Hearing should also join the new agency.
Under a memorandum of agreement, the Department of Rehabilitative Services (DRS) currently performs certain human resources, information technology, fiscal and general services, communications/public relations and internal audit services for the Virginia Department for the Aging (VDA) and Virginia Department for the Deaf and Hard of Hearing (VDDHH). Because DRS is already providing support for VDA and VDDHH the savings from a merger will be limited.

Consolidate the Virginia Department of Social Services Adult Services and Adult Protective Services into the newly proposed agency consisting of the Virginia Department for the Aging, Department of Rehabilitative Services, the Virginia Department for the Deaf and Hard of Hearing, or any combination thereof.
This bill will require actions and arrangements on the part of affected agencies in order to carry out their respective roles. To this extent, there may be meaningful additional costs not reflected in the Governor's Commission on Government Reform and Restructuring report or this FIS. These costs cannot be identified at this time and will need to be explored as part of implementation of the requirements under this bill. The consolidation of the Virginia Department of Social Services Adult Services and Adult Protective Services into the newly proposed agency consisting of the Virginia Department for the Aging, Department of Rehabilitative Services, and the Virginia Department for the Deaf and Hard of Hearing is effective July 1, 2013.

Merge the Department of Correctional Education (DCE) with the Departments of Corrections (DOC) and Juvenile Justice (DJJ). The bill streamlines the administration of education for inmates at DOC and residents at DJJ, creating efficiencies and savings. The transfer of DCE's responsibilities to DOC and DJJ is estimated to eliminate approximately 10 administrative positions in the DCE's central office. Some current DCE administrative employees would be needed at DOC and DJJ for the increased workload that will be experienced by those agencies. The savings generated would total approximately $1.2 million annually in FY 2014. Savings will be lower in FY 2013 to offset Workforce Transition Act costs in the first year of implementation.

Transfer the Virginia War Memorial to the Virginia Department of Veteran's Services. The Virginia War Memorial is already part of the Virginia Department of Veteran's Services' budget, so the bill does not have any fiscal impact on the Department of Veteran's Services.

		2013			2014		
Merge or Eliminate	**Agency**	**GF**	**NGF**	**Total**	**GF**	**NGF**	**Total**
Merge	Merge the Department of Employment Dispute Resolution into the Department of Human Resource Management.	$0	$0	$0	($156,150)	$0	($156,150)
Merge	Merge the Human Rights Council into the Office of the Attorney General.	($87,018)	$0	($87,018)	($149,413)	$0	($149,413)
Eliminate	Eliminate the Virginia National Defense Industrial Authority.	($342,851)	$0	($342,851)	($395,251)	$0	($395,251)
Merge	Create a new agency consisting of the Department of Rehabilitative Services and the Department for the Aging.	($25,984)	$0	($25,984)	($60,984)	$0	($60,984)
Merge	The Virginia Department for the Deaf and Hard of Hearing should join the new agency along with the Virginia Department for the Aging and the Virginia Department of Rehabilitative Services.	$0	$0	$0		$0	$0
Merge	Consolidate the Virginia Department of Social Services Adult Services and Adult Protective Services into the newly proposed agency consisting of the Virginia Department for the Aging, Department of Rehabilitative Services, the Virginia Department for the Deaf and Hard of Hearing, or any combination thereof.	$0	$0	$0		$0	$0
Merge	Merge the Department of Correctional Education into the Department of Corrections and the Department of Juvenile Justice.	($658,391)	$0	($658,391)	($1,213,290)	$0	($1,213,290)
Merge	Transfer the Virginia War Memorial to the Department of Veterans Services.	$0	$0	$0	$0	$0	$0
Totals		**($1,114,244)**	**$0**	**($1,114,244)**	**($1,975,088)**	**$0**	**($1,975,088)**
		GF	**NGF**	**Total**	**GF**	**NGF**	**Total**

9. Specific Agency or Political Subdivisions Affected: All state agencies

10. Technical Amendment Necessary: None

11. Other Comments: