

VACo FY 2010 Budget Analysis

General Assembly Amendments to FY 2010 or [HB 29](#)—the legislature adopted [FY 2010 budget amendments \(Conference Committee Report\)](#) to Gov. Timothy M. Kaine’s proposed FY 2010 budget bill or the Caboose Bill.

In December, Kaine released his proposed FY 2010 budget amendments and FY 2010-2012 budget. He also announced an FY 2010 general fund revenue shortfall of \$1.8 billion. Kaine instituted a series of [budget reductions in September](#) prior to releasing his proposed FY 2010 budget amendments. The September reductions were framed as “one-time” actions intended to help the state balance FY 2010 (for example: Compensation Board reductions).

The General Assembly is scheduled to reconvene on Wednesday, April 21, to act on gubernatorial recommendations including vetoes and amendments. In accordance with the Constitution of Virginia, the governor may sign a bill into law, veto a bill or recommend amendments to a bill. The budget is a single bill. The governor also may propose line-item budget vetoes. The legislature acts on vetoes and amendments. Vetoes are overridden by a two-thirds vote, while amendments are adopted by a simple majority vote. If the governor does not act on the bill, it shall become law without his signature.

The summary below outlines key enactments in HB 29.

Central Appropriations

Furloughs

As part of the one-day state furlough in the spring of FY 2010 (fourth quarter), the budget withholds reimbursements to local governments and political subdivisions for state supported positions. The withholding is equivalent to 1/249 of the annual state supported salary base for state and state-local employees.

- a. Locally elected constitutional officers (also see Compensation Board summary below);
- b. General Registrars and members of local electoral boards;
- c. Full-time employees of locally elected constitutional officers; and
- d. Full-time employees of Community Services Boards, Centers for Independent Living, secure detention centers supported by Juvenile Block Grants, juvenile delinquency prevention and local court service units, local social services departments, local pretrial services act and comprehensive community corrections act employees, and local health

departments where a memorandum of understanding exists with the Virginia Department of Health.

Transitional Severance Benefits for Local Governments (local option)

The budget provides a transitional severance benefit, under the conditions specified, to eligible city, county, school division or other political subdivision employees who are involuntarily separated from employment with their employer.

a. On his date of involuntary separation, an eligible employee with (i) two years service or less to the employer shall be entitled to receive a transitional severance benefit equivalent to four weeks of salary; (ii) three years through and including nine years of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to four weeks of salary plus one additional week of salary for every year of service over two years; (iii) 10 years through and including 14 years of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to 12 weeks of salary plus two additional weeks of salary for every year of service over nine years; or (iv) 15 years or more of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to two weeks of salary for every year of service, not to exceed 36 weeks of salary.

b. Transitional severance benefits shall be computed by the terminating employer's payroll department. Partial years of service shall be rounded up to the next highest year of service.

c. Transitional severance benefits shall be paid by the employer in the same manner as normal salary. In accordance with Va. Code, transitional severance benefits shall be allocated to the date of involuntary separation. The right of any employee who receives a transitional severance benefit to also receive unemployment compensation pursuant to the Code shall not be denied, abridged, or modified in any way due to receipt of the transitional severance benefit; however, any employee who is entitled to unemployment compensation shall have his transitional severance benefit reduced by the amount of such unemployment compensation. Any offset to a terminated employee's transitional severance benefit due to reductions for unemployment compensation shall be paid in one lump sum at the time the last transitional severance benefit payment is made.

d. For 12 months after the employee's date of involuntary separation, the employee continues to be covered under the (i) health insurance plan administered by the employer for its employees, if he participated in such plan prior to his date of

involuntary separation, and (ii) group life insurance plan administered by the Virginia Retirement System pursuant to the Code or such other group life insurance plan as may be administered by the employer. During such 12 months, the terminating employer shall continue to pay its share of the terminated employee's premiums. Upon expiration of such 12-month period, the terminated employee shall be eligible to purchase continuing health insurance coverage under COBRA.

e. Transitional severance benefit payments shall cease if a terminated employee is reemployed or hired in an individual capacity as an independent contractor or consultant by the employer during the time he is receiving such payments.

f. All transitional severance benefits payable pursuant to this section shall be subject to applicable federal laws and regulations.

Compensation Board

Note: [Kaine's FY 2010 reductions of September](#) totaling more than (\$30 million) are included in the Caboose Bill. The adopted budget:

- Eliminates fourth quarter reimbursements to localities for VRS retirement and group life insurance premium amounts payable on reimbursed salaries for constitutional officers and their employees;
- Supplants General Funds for Sheriffs and Regional Jails with federal fiscal stabilization funding: \$109.4 million;
- Reduces local jail per diem funding by 5 percent, and does not include additional funding for anticipated year-end shortfalls. Effective March 1, 2010, the payment for local and state responsible inmates shall be as follows:
 - a. Local responsible inmates: \$4 per inmate day, or, if the inmate is housed and maintained in a jail farm not under the control of the sheriff, the rate shall be \$18 per inmate day.
 - b. State responsible inmates: \$12 per inmate day.
 - c. Effective March 1, 2010, the payment for jail contract beds shall not exceed \$8 per state felon day, which shall be in addition to any such amounts otherwise authorized by the budget;
- Reverts \$2 million in non-general fund Technology Trust Fund balances to the General Fund. This is in addition to the \$7 million transfer assumed in the September reductions.

Finance/Revenue Stabilization Fund

One half of the balance of the Revenue Stabilization Fund is appropriated in FY 2010. The appropriations total \$293 million including accumulated interest earnings.

Health and Human Resources

Area on Aging: Requires the Department to work with eighteen Area Agencies on Aging that receive funding for care coordination to determine the best models to use in the Commonwealth for care coordination. The budget allows AAAs to submit a plan describing the model of care coordination to be used and requires them to work with the Department to ensure that the plan embraces best practices, works with other service delivery systems and includes evaluation measures. The Department and designated AAAs are required to determine which models of service delivery are appropriate and demonstrate beneficial use of these funds.

Board of Health (clarifying the introduced budget): Restricts the Board of Health from redistricting the regional emergency medical services councils; and restricts the Board of Health from using redistricting as a condition of designation as a council, or renewal of such designation, or as a condition of receiving state funding

CSA: Reduction in spending by \$36.6 million to reflect lower utilization of services. Unexpended funds will revert to the General Fund.

Emergency Medical Services: An additional \$1 million from the Rescue Squad Assistance Fund shall be provided to the Department of State Police for aviation (med-flight) operations. This additional funding shall be derived from undistributed June 30, 2009, cash balances from the Special Emergency Medical Services Fund and Virginia Rescue Squad Assistance Fund. The appropriation in FY 2010 will be \$2.6 million.

Medicaid and FAMIS: The Department of Medical Assistance Services shall have authority to amend the Virginia State Plan for Title XXI of the Social Security Act and the Virginia Health Insurance Flexibility and Accountability (HIFA) Waiver to require that Family Access to Medical Insurance Security (FAMIS) and FAMIS MOMS applicants and enrollees furnish their Social Security numbers as a condition of eligibility in order to have citizenship and identity verified by the Social Security Administration, unless the applicant is otherwise exempt from this requirement. The department shall have the authority to implement this change effective upon the signing of the budget bill, and prior to the completion of any regulatory process undertaken in order to effect such change.

Behavioral Health: Effective July 1, 2009, the Department of Mental Health, Mental Retardation and Substance Abuse Services shall be known as the Department of Behavioral Health and Developmental Services. All references to mental retardation shall be assumed to mean intellectual disability.

Public Education (K-12)

[The Virginia Department of Education](#) released locality specific funding spreadsheets on March 18. The link above directs the reader to details for FY 2010 and FY 2010-2012.

Adopted K-12 Education proposals (FY 2010):

FY 2010 VRS Rates (Source: DOE)

FY10 FRINGE BENEFIT RATES (PAID BY SCHOOL DIVISIONS TO VRS):	FY 2010 EMPLOYER RATE Rates for Division Payments to VRS July 2009 to March 2010	FY 2010 EMPLOYEE RATE Rates for Division Payments to VRS July 2009 to June 2010
Instructional VRS (Does not include RHCC - see below)	8.81%	5.00%
Nonprofessional Support VRS	7.62%	5.00%
Group Life	0.27%	0.52% (July through March Only)
Retiree Health Care Credit	1.04%	

FY10 FRINGE BENEFIT RATES (STATE FUNDS PAID TO SCHOOL DIVISIONS):	FY 2010 EMPLOYER RATE Rate for State Payments July 2009 to June 2010
Instructional VRS (Does not include RHCC - see below)	6.61%
Nonprofessional Support VRS	5.72%
Group Life	0.20%
Retiree Health Care Credit (<i>state funds paid as part of the VRS per pupil amount</i>)	0.78%

The amended FY 2010 budget provides that fourth quarter VRS payments shall be suspended April 1, 2010, for public employee group life insurance, the Virginia Sickness and Disability Program, state employee retiree health insurance credit, and the public school teacher retiree health insurance credit shall for constitutional officers and public school teachers. The suspension excludes the five percent employee portion. ([See VRS local rates.](#)) (Also see the FY 2010 VRS summary below.)

Support for School Construction, Operating Costs and Textbooks for FY 2010: The budget changes the name of the Additional Support for School Construction and Operating Costs account to Support for School Construction, Operating Costs and Textbooks. The budget includes language in the FY 2010 Support for School Construction, Operating Costs and Textbooks account encouraging localities and school divisions to use a portion or all of the estimated \$140 million in local savings generated from the three-month fringe benefit premium holiday described above to purchase textbooks and Standards of Learning instructional materials, as needed.

Defer FY 2010 fourth quarter State Operated Programs payment to the first quarter of FY 2011: Final FY 2010 state payments to the school divisions will be based on certified expenditures from the first three quarters (July -March) of the year. State payments for certified actual expenditures from the fourth quarter of FY 2010 will be made in fiscal year 2011. Future State Operated Program payments will continue the fourth quarter deferment in each subsequent fiscal year.

Textbook Funding (\$79.6 million): The governor eliminates textbook funding for FY 2010. The payments that school divisions received through the Dec. 16, 2009, payment will be charged by DOE against their Dec. 21, 2009, Basic Aid payments.

Reductions to incentive, categorical and supplemental education programs: Dating to Kaine's September actions, the budget includes a 10 percent reduction in certain incentive, categorical and supplemental education programs: Clinical Faculty; Career Switcher Mentoring Grants; and the Virginia Educational Technology Alliance under categorical programs. In supplemental education, the Career and Technical Education Resource Center; Jobs for Virginia Graduates; Project Discovery; the Southside Virginia Regional Technology Consortium; the Southwest Virginia Public Education Consortium; the Virginia Career Education Foundation; the Van Gogh Outreach Program; and the Greater Richmond Area Scholarship Program (GRASP).

Eliminate Non-Personal Inflation Factors (\$61.3 million): The budget eliminates funded inflation factors from the non-personal component of Basic Aid. For FY 2010, state funding is reduced by (\$61.3 million). This action reduces the Basic Aid per pupil amount for each division. (Non-personal factors include: Operation & Maintenance - Utilities, Communications, Insurance; Fixed Charges – Unemployment, Workers' Comp., Disability Insurance, Other Benefits; Instructional - Classroom Instruction, Instructional Support, Principal's Office; Miscellaneous –Administration, Attendance & Health, Facilities, Pupil Transportation, Reserve Contingency, Textbooks and Health Care Premiums.)

Additional FY 2010 K-12 proposals:

Literary Funds to support VRS: (\$195 million).

Carry over FY 2010 Funds to FY 2011: Allows any locality that has met its required local effort for the Standards of Quality for FY 2010, or that has met its required local match for incentive or Lottery funded programs in which the locality elected to participate in FY 2010, to carry over into FY 2011 remaining state fund balances.

State Aid to Local Libraries

As part of his September budget reductions, Gov. Kaine cut FY 2010 state support for local libraries by 5 percent.

State Board of Elections

The State Board of Elections shall by regulation provide for an administrative fee up to \$25 for each non-electronic report filed with the Board.

Virginia Retirement System and Compensation

The budget provides that fourth quarter VRS payments shall be suspended April 1, 2010, including for public employee group life insurance, the Virginia Sickness and Disability Program, state employee retiree health insurance credit, and the public school teacher retiree health insurance credit shall for constitutional officers and public school teachers. The suspension excludes the 5 percent employee portion. ([See VRS local rates.](#)) (Additionally, see K-12 summary above for school impact.)

Restoration of deferred compensation payments: Restores the state match for the state employee deferred compensation program. Kaine proposed eliminating fourth quarter funding.

State employee bonus: Employees of the Commonwealth, except elected officials, who were employed on June 30, 2010, shall receive a one-time bonus payment equal to 3 percent of base pay on Dec. 16, 2010, contingent upon General Fund revenue collections for FY 2010 exceeding the official FY 2010 revenue estimate by at least \$82.2 million. If General Fund revenue collections for FY 2010 exceed the official revenue estimate by less than \$82,200,000, the one-time bonus payment shall be prorated to a percent of base pay for the general fund payroll that equates to the amount of excess revenues collected.

VRS shall transfer \$500,000 from the Group Insurance Program's Advance Premium Deposit Reserve to the Line of Duty Death and Health Benefits Trust Fund for subsequent transfer to the

General Fund. The transfer supports death claims related to the Line of Duty Act paid from July 1, 2009, through June 30, 2010. Repayment of the transfer by the Line of Duty Death and Health Benefits Trust Fund to the Group Insurance Program's Advance Premium Deposit Reserve will be completed under such terms as prescribed by the VRS Board of Trustees.

On or before June 30, 2010, the Virginia Retirement System shall transfer an amount estimated to be \$1.2 million from the health insurance credit trust fund to the General Fund as reimbursement for health insurance credits that would have been payable to Line of Duty Act benefits recipients from their date of retirement or July 1, 2000, whichever was later, until June 30, 2010. For any surviving spouse of a "deceased person" or any "disabled person" as those terms are defined in the Code for those receiving the benefits described in law and who would otherwise qualify for the health insurance credit described in the Code, the amount of such credit shall be calculated and reimbursed to the State Comptroller from the health insurance credit trust fund, in a manner prescribed by the Board of Trustees of the VRS.

Natural Resources

Conservation and Recreation

- Reduce funding to Soil and Water Conservation Districts by 10 percent.
- Reduce funding to the Virginia Outdoors Foundation (\$97,376).
- Eliminate one position for education and outreach on vegetative buffers to coastal localities subject to Chesapeake Bay Preservation Act (\$30,000).

Environmental Quality

- Reduce funding for Chesapeake Bay monitoring (\$129,000).
- Reduce litter control grants to localities (\$255,000) and divert to the General Fund.

Budget language adjusts the governor's September reduction plan by replacing the strategy to supplant administrative costs with federal grant indirect cost recoveries. The strategy will be substituted with a cash transfer from the Water Quality Improvement Fund reserve of (\$1.5 million).

Wireless E-911 Funds

- Transfer (\$2 million) from the Wireless E-911 Fund to support sheriff dispatchers. With the adoption of the budget, the annual transfer from the Fund for dispatchers will total (\$8 million) each year. In addition to the transfer for sheriffs, the State Police continue

to receive an annual (\$3.7 million) transfer from the Fund. Consequently, a total of (\$11.7) million will be transferred annually from the Fund in FY 2010. Background: In accordance with statute, Wireless E-911 Funds are appropriated by formula to local governments (60 percent), the industry (30 percent) and local governments via grants (10 percent and carry over funding from the industry share). The (\$8 million) transfer is taken from the 30 percent share while the (\$3.7 million) transfer is taken "off-the-top."

Revenues

Communications Sales and Use Tax: Appropriates the Virginia Communications Sales and Use Tax Fund, "1. In order to carry out the provisions of § 58.1 - 645 et seq., Code of Virginia, there is hereby appropriated a sum sufficient amount of non-general fund revenues estimated at \$460,000,000 in the second year equal to the revenues collected pursuant to § 58.1 - 645 et seq., Code of Virginia, from the Virginia Communications Sales and Use Tax. For the purposes of the Comptroller's preliminary and final annual reports required by § 2.2-813, Code of Virginia, however, all deposits to and disbursements from the Fund shall be accounted for as part of the general fund of the state treasury. 2. All revenue received by the Commonwealth pursuant to the provisions of § 58.1 - 645 et seq., Code of Virginia, shall be paid into the state treasury and deposited to the Virginia Communications Sales and Use Tax Fund and distributions from the Fund shall be made pursuant to § 58.1-662, Code of Virginia."

Summary of the above action: The General Assembly will appropriate the fund to the Department of Taxation. The department will reimburse localities based on the current statutory formula. However, the state will treat the dollars as general funds for purposes of expanding its debt capacity.

Dealer Discount: The Caboose partially eliminates retailers' Dealer Discount (vendor compensation) for collecting and remitting the sales and use tax. Kaine proposed eliminating retailers' Dealer Discount. Eliminating the discount would have saved \$61 million the first year. The new budget saves \$49 million by protecting a portion of the compensation for particular retailers. The amendment is included in HB 29 although it impacts FY 2010-2012.

Judges: Reduces the number of judges resulting from vacancies due to resignation, death or retirement.

Brunswick Correctional Center: Directs the Department of Corrections and the Virginia Economic Development Partnership to prepare a report on potential options for reusing or redeveloping the Brunswick Correctional Center.

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