

# VACo Budget Summary

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## Introduction

The economic downturn continues to negatively impact state revenue growth and in turn available funding for Virginia’s core services. As stated in a Gov. Timothy M. Kaine budget summary document, “... the revenue forecast for FY 2012 is for fewer general fund dollars than FY 2007” and “...overall state aid to localities is reduced by \$2.6 billion, through cuts in education, public safety, and other programs.”

Gov. Kaine unveiled his proposed biennial 2010-2012 budget and proposed amendments to the FY 2010 budget on Dec. 18. Not surprisingly, several proposals significantly reduce general fund spending and alter traditional state and local relationships.

### Gov. Kaine’s proposed total general fund spending reductions (Dollars in millions):

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Kaine's September Reduction Plan	\$ 854.3	\$ 279.9	\$ 436
Additional Targeted Reductions	\$344.6	\$1,748	\$1,683.5
Total Proposed Reductions	\$ 1,199	\$ 2,028	\$ 2,119.5

Kaine spoke to local government leaders in his Dec. 18 address to the General Assembly’s money committees: “Many of the (proposed budget) changes . . . have direct impact on the budgets of local governments. Support for local governments is the biggest single spending item in the state budget and there is no way to make budget proposals of this magnitude without having a direct impact on localities. I am mindful of the fact that local governments have revenue issues of their own as they rely on property taxes based on declining property values.”

State aid to local governments for mandated services, including public education, comprise approximately 50 percent of all state general fund revenues.

Governor-elect Robert F. McDonnell, who is to be inaugurated on Jan. 16, will propose amendments to Kaine's budgets (FY 2010 and the separate 2010-2012 biennial budget). The House and Senate will adopt amendments to the above, and eventually iron out their differences in a joint committee of conference. Each chamber must approve the final conference report. When acting on a budget bill the governor may sign it into law or veto it. Additionally, the governor may veto line items and offer amendments. The General Assembly considers the governor's actions during the reconvened or Veto Session each spring.

### **Revenue Forecasts and Budget Shortfall**

In addition to unveiling his budgets on Dec. 18, Gov. Kaine also released a revised revenue forecast and announced a total budget shortfall of more than \$4 billion. VACo members know that the Kaine administration revised current year revenues downward by more than \$1.2 billion in August and instituted and proposed FY 2010 budget reductions [in September](#) to align spending with available funds. Governors can administratively institute reductions of up to 15 percent. On Dec. 18, Kaine revised the August forecast for FY 2010 by an additional \$350 million.

Kaine's comments regarding the forecast and budget shortfall: "While the FY 2011 and FY 2012 projections offer some hope with projected revenue growth of 3.8 percent and 5.1 percent respectively - and FY 2012 projects the best growth rate since FY 2006 - this growth will be off a much lower base, resulting in less additional revenue than experienced in past economic rebounds. (W)ith this revenue forecast, the budgetary challenge is daunting. If we just take the expense line items in the FY 2010 budget, already adjusted downward after \$7 billion in budget cuts (during the Kaine administration), and project them forward with no increase and then add only items that are absolutely mandated in the new biennium."

Virginia's primary tax revenues, using the second half of FY 2009 actual collections as a sample, are underperforming, to say the least, including: individual non-withholding tax collections (-24.8 percent); corporate income tax collections (-19 percent); recordation tax collections (-16.8 percent); and sales and use tax collections (-5.9 percent). Conversely, individual refunds increased 17 percent for this same period of time.

[Secretary Ric Brown, Virginia's chief finance official, released the state's updated Economic Outlook and Revenue Forecast on Dec. 18.](#)

## **Proposed New Revenues Including Elimination of the Car Tax**

In addition to Kaine's proposed general fund spending reductions, the governor proposes several revenue offsets, including effectively eliminating the local personal property tax on personal use vehicles.

Local Option Elimination of the Personal Property Tax on Qualifying Vehicles (Car Tax on Personal Use Vehicles):

The proposal replaces the \$950 million annual state subsidy to localities for the personal property tax on personal use vehicles with a new one percent state income tax surcharge. A locality's share of the new revenues equates to its percentage share of the current \$950 million car tax appropriation. Once fully implemented on January 1, 2011, the local car tax on qualifying personal vehicles will effectively be eliminated – assuming a locality eliminates the local tax and chooses to receive its share of the new income revenues.

Mechanics of the Car Tax Elimination Legislation:

Effective July 1, 2010, a 0.5 percent surcharge is imposed by the state on personal income. The tax rate increases by an additional 0.5 percent, for a total tax of one percent, on July 1, 2011.

Localities opting to eliminate the local car tax set their personal property tax rate at 1/10,000th per \$100. This action effectively eliminates the local tax.

Beginning in the second half of tax year 2010 or FY 2011, the new income tax revenue is distributed to localities using the current car tax methodology certified by the state Auditor of Public Accounts.

The new tax is projected to provide localities with \$1.6 billion in FY 2011 and \$2 billion in FY 2012. The Kaine administration estimates that localities will collect \$1.6 billion in personal property tax collections this year for personal use vehicles.

Additional New Fees:

Public Safety Fund Fee: A new 0.5 percent fee on property and casualty premiums with the revenues of \$22 million in FY 2011 and \$44 million FY 2012 supporting: the State Police, STARS maintenance and counter terrorism; Sheriffs, law enforcement and court security; and 599 funding.

Line of Duty Program Fee: A new 18 cents monthly E-911 fee increase on wireless and traditional phones with the revenues of \$18.6m in FY 2011 and \$20.3m in FY 2012 supporting the Line of Death and Health Benefits Trust Fund. Trust Fund proceeds support death and disability health

benefits to beneficiaries and eligible dependents. The Kaine administration indicates the new funding will help to address the program's estimated \$199 million unfunded liability.

Recordation Fee: A new \$10 fee increase on every recorded deed with the new revenues dedicated to the Virginia Natural Resources Commitment Fund. The fund proceeds will be used for agricultural best management practices.

**Key Budget Links for Local Leaders:**

[-The Virginia Department of Planning and Budget's State Budget Web Page \(includes summary information, for example, Gov. Kaine's remarks to the General Assembly on Dec. 18\):](#)  
<http://dpb.virginia.gov/budget/buddoc10/index.cfm>

[-The General Assembly's State Budget Web Page \(includes links to the legislation\):](#) <http://leg2.state.va.us/MoneyWeb.NSF/sb2010>

**Gov. Kaine's Proposed Amendments to FY 2010 (Amendments to the Caboose Bill, HB/SB 29)**

(Note: Kaine's amendments to FY 2010 include and in some cases amend his [September budget reductions.](#))

Central Appropriations

State Furloughs: As part of the one day state furlough in the spring of FY 2010, Gov. Kaine allows state agencies to withhold payments to local governments and political subdivisions. The withholding is equivalent to 1/249 of the annual state supported salary base for state and 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 boards, 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 amended 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.

Eliminate reimbursements to localities for VRS retirement and group life insurance premium amounts payable on reimbursed salaries for constitutional officers and their employees (\$7.7 million).

Reduction of (\$2.2 million) based on a one day furlough for all Constitutional Officers and their employees (also see reference above in the Central Appropriations Summary).

Reduced funding of (\$2.4 million) based upon delays in opening jail expansion projects scheduled for completion - Loudoun County and Riverside Regional Jails.

Supplant General Funds for Sheriffs and Regional Jails with federal fiscal stabilization funding: \$109.4 million.

Reduction in local jail per diem funding of 5 percent (\$3.5 million); and no funding included for anticipated shortfalls of approximately (\$6 million). 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.

Also, 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.

Reversion of \$2 million in non-general fund Technology Trust Fund cash to the General Fund.

Comp. Board: Elimination of three staff positions.

## Finance/Revenue Stabilization Fund

One-half of the balance of the Revenue Stabilization Fund, estimated at \$293 million including accumulated interest earnings, is hereby appropriated in FY 2010, pursuant to the Va. Code. The State Comptroller shall deposit this sum into the General Fund of the state Treasury on or after June 15, 2010, but on or before June 30, 2010.

## Health and Human Resources

CSA: 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.

## 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).

Public Education (K-12)

A separate Virginia Department of Education Superintendent's Memorandum outlines the governor's [FY 2010 budget proposals](#). The memo includes local specific funding estimates:

[http://www.doe.virginia.gov/info\\_centers/administrators/superintendents\\_memos/2009/337-09.shtml](http://www.doe.virginia.gov/info_centers/administrators/superintendents_memos/2009/337-09.shtml)

<b>Gov. Kaine's Proposed Basic Aid Appropriations for FY 2010 and the New Biennium:</b>			
<u>FY 2010 (adopted 2009)</u>	<u>FY 2010 (Dec. 18, 2009)</u>	<u>FY 2011</u>	<u>FY 2012</u>
\$6.2b	\$6.0b	\$5.7b	\$5.7b
	(4.2%)*	(8.1%)*	(7.9%)*
\$365.0m	\$219.0m**/+	\$126.0m**	\$0**
*Percent difference from FY 2010 (adopted 2009)			
**Total use of federal State Fiscal Stabilization Funds (SFSF)			
+SFSF dollars total \$584m in FY 2010 (\$365m + \$219m)			

K-12 Education proposals (FY 2010):

Revised Sales and Use Tax estimates: The revised sales tax estimate is approximately \$85.3 million lower in FY 2010 than the original projection last spring. As required by the Basic Aid funding formula, state and local Basic Aid payments must be increased to offset a portion of the decreased sales tax revenues. The amount of the Basic Aid offset is determined by each division's composite index or local ability-to-pay. The net reduction in state funding to school divisions is (\$37.7 million) in FY 2010.

K-12 Employer Contribution Rates; Fourth Quarter Premium Holiday: [See Page 4](#) of this link to review the school division rates that will be billed by VRS from July to March 2009, and the equivalent rates by which state SOQ payments for these benefits will be paid to school divisions for the full fiscal year. The governor's budget maintains the employer contribution rate premium holiday for VRS retirement, group life (and employee rate for group life only), and retiree health care credit for the fourth quarter of fiscal year 2010 (April through June 2010). The applicable employee share for VRS retirement will still be paid by divisions to VRS for the full fiscal year. (Also see the FY 2010 VRS summary below.)

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. In a separate amendment the governor includes language in the 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.

Eliminate Non-Personal Inflation Factors: (\$61.3 million): The governor's introduced budget proposes eliminating 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.)

Defer Fourth Quarter State Operated Programs Payments: The governor's amended budget proposes deferring the fiscal year 2010 fourth quarter State Operated Programs payment (previously paid on an estimated basis in June of each fiscal year) to the first quarter of fiscal year 2011, resulting in state savings of (\$8.2 million) in fiscal year 2010.

Additional FY 2010 K-12 proposals:

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

Carry Over FY 2010 Funds to FY 2011: The governor's amended budget 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 Sept. budget reductions, Gov. Kaine reduced 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

The amended FY 2010 budget provides that fourth quarter VRS payments 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 be suspended April 1, 2010, excluding the five percent employee portion. ([See VRS' local rates.](#)) (Additionally, see K-12 summary above for school impact.)

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 of the state Treasury, as reimbursement for 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 in a manner and 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 of the state treasury 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 Va. 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. (Also, see the new Line of Duty Program Fee under the heading **Proposed New Revenues Including Elimination of the Car Tax** – above.)

### Wireless E-911 Funds

FY 2010 and FY 2010-2012: (\$2 million) transfer from the Wireless E-911 Fund to support Sheriff's dispatchers. With the adoption of Kaine's proposal, 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, FY 2011 and FY 2012.

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” of the fund.

**Gov. Kaine’s Proposed Biennial Budget (FY 2010 – 2012)**

Central Appropriations

Governor Kaine’s does not reenact the [Reversion Clearing Account – Aid to Localities](#). VACo members know Gov. Kaine instituted this initiative in 2008 for both years of the current biennium to implement state reductions to local governments. Absent language authorizing the state to capture savings in state aid to local government programs for General Fund use, the required \$50m in each year (FY 2009 and FY2010) is repealed.

Compensation Board

<b>Program Funding</b>	<b>FY 2010 (Caboose)</b>	<b>FY 2011</b>	<b>FY 2012</b>
Financial Assistance for Sheriffs' Offices and Regional Jails	\$374,566,925	\$367,091,166	\$367,755,709
Financial Assistance for Confinement of Inmates in Local and Regional Facilities	\$68,149,008	\$51,102,382	\$53,352,871
Financial Assistance for Local Finance Directors	\$624,162	\$623,140	\$623,140
Financial Assistance/ Local Commissioners of the Revenue	\$18,417,157	\$9,368,007	\$9,368,007

Financial Assistance for Attorneys for the Commonwealth	\$62,487,243	\$55,271,427	\$55,271,427
Financial Assistance for Circuit Court Clerks	\$51,471,774	\$46,837,646	\$46,837,646
Financial Assistance for Local Treasurers	\$18,291,015	\$8,546,944	\$8,546,944

## Compensation Board

### All Constitutional Officers:

Reduction in funding of (\$29.1 million) in each year of the biennium eliminating reimbursements to localities for VRS retirement and group life insurance premium amounts payable on reimbursed salaries for constitutional officers and their employees.

Reduction in funding of (\$5.6 million) supporting all constitutional officer and employee career development programs (programs include Sheriffs' Accreditation and Certification, Master Deputy, Master Jail Officer, Career Prosecutor, Master Commissioner, Master Deputy Commissioner, Master Treasurer, Master Deputy Treasurer). Budget language providing for each program has been maintained, however all funds have been removed and language added that suspends the programs.

Reduction in funding of (\$1.6 million) in each year associated with the increased cost recovery from 50 percent to 100 percent of liability and surety bond premiums paid on behalf of Constitutional Officers.

### Sheriffs and Regional Jails:

Additional funding of \$2.2 million in FY 2011 and \$2.4m in FY 2012 and 86 positions to support jail construction projects in Rappahannock, Pittsylvania and Patrick Counties.

Un-restored shortfall of (\$23.3 million) remains in each year after a one-time restoration of this earlier reduction in FY2010 utilizing federal stimulus Byrne Justice Assistance Grant funds.

Reduction of (\$5.2 million) in previously restored across-the-board reductions in each year based upon staff salaries and other expenses.

Reduction in law enforcement deputy funding of (\$12.6 million) in FY 2011 and (\$12.1 million) in FY 2012 and an associated reduction of 375 positions in each year based on a revised staffing standard of one deputy per 2,000 locality population (currently one deputy per 1,500 locality population).

Supplant General Fund support for law enforcement and court services staff with (\$8.3 million) in FY 2011 and (\$21.6 million) of non-general Virginia Public Safety funds.

### Jails:

Additional state funding of \$1.5 million in FY 2011 and \$878,400 in FY 2012 to support the anticipated increase in inmate populations due to the potential housing of Pennsylvania inmates in Department of Corrections facilities.

Reduction in per diem funding of (\$19.5 million) in each year of the biennium based on reductions to the per diem amounts paid for local responsible inmates housed in local or regional jails from \$8 per day to \$4 per day, for local responsible inmates housed in jail farms from \$22 per day to \$18 per day, for state inmates housed in local or regional jails from \$8 or \$14 per day to \$12 per day, and the elimination of the additional \$14 per day currently paid for any inmates in contract beds by agreement with the Department of Corrections.

Compensation Board: Finance

“Any county or city is authorized to establish a department of finance. The county boards of supervisors and the city councils shall have the option of appointing the director of the department of finance or delegating that authority to the county administrator or city manager. If a county or city exercises this option to establish a department of finance, the director of the department shall assume the duties and responsibilities of Commissioners of the Revenue and Treasurers as set out in Chapter 31 of Title 58.1, Code of Virginia that relate to local financial matters.”

599 Funding (state assistance to localities with police departments)

(\$20 million) reduction in General Funds in the first year of the biennium creating a new base of \$160.6 million (see chart below and [attached spreadsheet detailing locality funding estimates](#)).

<b>599 Funding (state assistance to localities with police departments)</b>				
(Dollars in millions)				
<u>FY10 (adopted 09)</u>	<u>FY10 (Sept.)</u>	<u>FY10 (12/18/09)</u>	<u>FY 2011</u>	<u>FY 2012</u>
\$197.3	\$183.6m	\$180.8m	\$160.6m	\$160.6m
	(7.0%)*	(1.6%)*	(11.2%)*	0%*
*Percent difference from the prior year appropriation				

Health and Human Resources

Child Advocacy Centers: Total funding reduced by \$100,000 in each year.

Area Agencies on Aging: 15 percent reduction.

Drinking Water Improvements: Four percent reduction.

Reimbursements for Medical Services Provided Under FAMIS (Family Access to Medical Insurance Security Plan): 8 percent increase in General Funding in each year.

Medicaid Program Services (reimbursement to state owned MH, MR facilities, reimbursements for MH and MR services, reimbursements for professional and institutional medical services and long term care services, etc.): 15 percent increase in each year of the biennium.

Financial Assistance for Behavioral Health Services (community substance abuse services, community MH services, community MR services): (\$12.4 million) reduction.

Social Services Financial Assistance for Local Staff and Operations: 28 percent increase in FY 2011 and an 8 percent reduction in FY 2012.

#### Department of Housing and Community Development

15 percent reduction for Regional Planning Commissions.

#### Juvenile Justice

(\$3 million) reduction in the first year of the biennium for local governments (juvenile confinement in local jails, local probation and parole, community based alternative treatment services, etc.)

Public Education (K-12) (Please see the K-12 funding chart above entitled: Gov. Kaine's Proposed Basic Aid Appropriations for FY 2010 and the New Biennium)

The Department of Education has posted a Superintendent's Memorandum outlining the [FY 2010-2012 budget proposals](#) of Gov. Kaine. The memo includes local specific funding estimates: [http://www.doe.virginia.gov/info\\_centers/administrators/superintendents\\_memos/2009/338-09.shtml](http://www.doe.virginia.gov/info_centers/administrators/superintendents_memos/2009/338-09.shtml)

Defer the computed change in the updated composite indices until FY 2012: The locality specific funding estimates in the DOE link above reflect the deferment of the new calculated indices until FY 2012. And the attached spreadsheet compares local composite indices (2008-2010 to 2010-2012) and calculates the financial change in FY 2011 resulting from the deferment. [FY11 Distribution of Delaying 10-12 Comp Index until FY12.](#)

Re-benchmark Direct Aid Costs for 2010-2012: Rebasng costs for the Standards of Quality: \$59.7 million for FY 2011 and \$78.9 million for 2012. These lower costs – lower than past years – in large part reflect the adopted 2009 reduction in state funding for administrative support positions.

Reduce Health Care Premium to Reflect Division Level Participation: The state share of the health care premium heretofore has been based on a participation rate of 100 percent for state recognized costs. The proposed health care premium of \$3,375 in the governor’s budget “represents the statewide prevailing average of the division level premiums weighted for plan type participation (\$5,107) multiplied by the prevailing rate of overall employee participation in any employer-provided health care plan (66.1 percent).” The change results in a decrease of state funding for Direct Aid: (\$134.2 million) in FY 2011, and (\$135 million) in FY 2012.

Update Fringe Benefit Rates: The governor’s introduced budget adopts a lower employer contribution rate for instructional retirement benefits in 2010-2012 than was certified by the VRS Board of Trustees (10.49 percent versus 12.91 percent). [See Page 2](#) of this link to examine the proposed VRS rates including retirement, Group Life and Health Care Credit.

Lottery Proceeds: The local portion of Lottery proceeds (through the Support for School Construction and Operating Costs account) is projected to be distributed based on the state share of \$52.05 per pupil in FY 2011 and \$46.98 per pupil in FY 2012. School divisions are not required to spend a minimum of 50 percent of the Support for School Construction and Operating Costs funds on nonrecurring expenditures. That provision was removed last year. Localities may appropriate these funds for any public education expenditure.

Additional FY 2010-2012 K-12 proposals:

Textbooks: The governor’s budget reinstates the required local match for textbooks. The budget requires school divisions to match the state’s share of textbook funds based on the composite index of local ability-to-pay.

Reduce Incentive, Categorical, and Supplemental Education Programs by 15 Percent.

Eliminate VPSA Education Technology Grant Program: The governor’s introduced budget eliminates funding for the Virginia Public School Authority (VPSA) Technology Grant Program.

Literary Funds to support VRS: (\$125 million) in FY 2011; and (\$138 million) in FY 2012.

Eliminate the Literary Fund Interest Rate Subsidy Program.

Eliminate the funded inflation factors from the non-personal component of Basic Aid.

### State Board of Elections

Any locality using paper poll books for elections held beginning in November, 2010, shall be responsible for entering voting credit as provided in the Va. Code. Additionally, any locality using paper poll books for elections held after November, 2010, may be required to reimburse the State Board of Elections for state costs associated with providing paper poll books.

Municipalities will pay all expenses associated with May elections after June 30, 2009, including those costs incurred by the State Board of Elections.

### State Aid to Local Libraries

Reduce state support by 10 percent.

### Natural Resources

Department of Conservation and Recreation:

For each year of the biennium, (\$5 million) in General Funds are deposited into the Natural Resources Commitment Fund (a sub-fund of the Water Quality Improvement Fund) for Statewide Agricultural and Urban Non-point Source Water Quality Improvement. In addition and for each year of the biennium, \$9.1 million from the newly proposed \$10 "recordation fee" shall be deposited into the Natural Resources Commitment Fund (see separate section on revenues for more information about the proposed fee).

Reduce funding to Soil and Water Conservation Districts by 10 percent each year (biennial total of \$1.17 million).

Language authorizing the Department to make water quality improvement grants to state agencies.

Language subjecting land disturbing projects in state institutions of higher learning to erosion and sediment control programs administered by local governments.

Allocate (\$1.7 million) for each year of the biennium in General Funds to the Virginia Outdoors Foundation for operating expenses.

Department of Environmental Quality:

Authorize the issuance of Virginia Public Building Authority (VPBA) revenue bonds to finance the Virginia Water Quality Improvement Fund (WQIF). The funds support the improvement and upgrade of wastewater treatment plants.

For each year of the biennium, \$23.9 million is allocated to Virginia Water Facilities Revolving Fund. Through the Fund, low interest loans and grants for the improvement of wastewater treatment plants are provided to local governments.

Prohibit DEQ from providing grants from the Water Quality Improvement Fund to localities failing to designate Urban Development Areas.

For each year of the biennium (\$600,000) is diverted from the Virginia Environmental Emergency Response Fund to develop DEQ's "e-Government" service.

For each year of the biennium (\$20,000) in reductions to local governments for water supply planning. (In 2003 the General Assembly passed legislation requiring local governments to develop water supply plans, all of which must be completed and submitted to DEQ by November, 2011.)

Language authorizing DEQ to implement a schedule for inspecting Confined Animal Feeding Operations based upon risk-based criteria.

Budget language authorizing DEQ to suspend payments and grants to local governments from the [Litter Control and Recycling Fund](#). The purpose of this Fund is to prevent littering and assist localities in their recycling efforts. The Fund is capitalized through [litter tax](#) revenues. Payments withheld from local governments would be diverted to the General Fund. The distribution of grants under this program is based upon a formula that takes into consideration population and road miles.

For each year of the biennium \$1.5 million is transferred from the Waste Tire Trust Fund to the state General Fund. The Waste Tire Trust Fund is capitalized through a \$1 tax on tires that was originally created to assist in the recycling of tires and clean-up existing tire piles. The \$1 tax on tires generates approximately \$2 million each year.

Transportation

**Forecasted State Transportation Funding: Comparing FY 2010 to FY 2016 (Dec. 18, 2009)**

(Dollars in millions)

	<u>2010</u>	<u>2016</u>
HMOF	\$1,265.2	\$1,454.5
TTF	\$974.9	\$1,193.5
Total	\$2,240.1	\$2,648.0
% Change	(2.8)*	18.2%** / +

\*Percent change FY 2009 to FY 2010

\*\*Percent change FY 2010 to FY 2016

+Annualized growth rate of three percent a year (FY 2010 to FY 2016)

-HMOF: Highway Maintenance and Operating Fund- Supports road maintenance and VDOT and DRPT operations.

-TTF: Transportation Trust Fund- Supports the modes (aviation, ports, rail and transit, and roads (including Secondary Road construction funding)).

-State revenue sources for both funds above include Motor Vehicle Sales and Use Tax, Motor Fuels Tax, and the dedicated share of the Sales and Use Tax (0.5 percent).

Note: Total Motor Fuels Tax revenues are estimated to grow by only 11 percent from FY 2010 to FY 2016 (annualized rate of 1.8 percent a year).

Transportation Program Reductions:

Due to the continual decline of available revenues, the Commonwealth Transportation Board (CTB) has adjusted 2010-2015 program funding. Since the spring of 2008 the CTB has reduced transportation revenues by \$4.61 billion. The latest revenue adjustment occurred in December 2009; the December shortfall totaled \$893.5 million.

Secondary Road Construction Dollars: Estimated to decline by 50 percent from FY 2010 to FY 2011, and estimated to decline by more than 27 percent from FY 2011 to FY 2012.

Secondary Road Maintenance Dollars: Estimated to decline by 44 percent from FY 2010 to FY 2011, and estimated to increase by 4 percent from FY 2011 to FY 2012.

## Virginia Department of Transportation:

Reduce Position Level: Reduces the Department of Transportation's maximum employment level by 850 positions to a total of 7,500 positions. This action is in compliance with the directive contained in the 2009 budget mandating that VDOT maintain not more than 7,500 full-time positions on June 30, 2010.

## Virginia Retirement System

“Any state employee, teacher, or employee of a political subdivision, commencing employment with no prior service credit on or after July 1, 2010, who is a member of the retirement system may retire prior to his normal retirement date after attaining age 55 and 30 years of creditable service, upon written notification to the Board setting forth the date the retirement is to become effective. “

Retirement contribution rates for the first year and the second year, excluding the 5 percent employee portion, shall be: 10.49 percent for public school teachers, 6.58 percent for state employees, 21.16 percent for state police officers, 13.09 percent for the Virginia Law Officers Retirement System, and 42.58 percent for the Judicial Retirement System.

Contribution rates paid on behalf of state and teachers employees for other programs administered by the Virginia Retirement System in the first year and the second year shall be: 1.02 percent for the public employee group life insurance program, 0.66 percent for the Virginia Sickness and Disability Program, 0.99 percent for the state employee retiree health insurance credit, and 1.01 percent for the public school teacher retiree health insurance credit.

Any employer may elect, in a manner prescribed by the Board, to pay an equivalent amount in lieu of all or any portion of the member contributions required of its employees. This provision gives local government (employers) authority to ask members to contribute any amount up to 5 percent:

[Citation: Item 469 J1](#)

## Urban Development Area (Budget Language)

DRPT: At the conclusion of the three-year passenger rail demonstration programs in the Route 29 and Interstate 95 corridors approved by the Commonwealth Transportation Board (CTB) in February 2009, any passenger rail service funded by the Commonwealth Transportation Fund shall not provide direct service to a local government unless an area immediately adjacent to the applicable train station is designated by the applicable local government as an urban development area pursuant to §15.2-2223.1, Code of Virginia.

DEQ: Notwithstanding the provisions of § 10.1-2131, Code of Virginia, after July 1, 2011, the Department of Environmental Quality shall not provide any Water Quality Improvement Grant to any locality that is subject to the requirements of § 15.2-233.1, Code of Virginia but has not yet designated at least one urban development area.

VDOT: For allocation of funds under Paragraph 1, the Office may give a higher priority for planning grants to (i) regional organizations to analyze various land development scenarios for their long range transportation plans, (ii) local governments to revise their comprehensive plans and other applicable local ordinances to designate urban development areas pursuant to Chapter 896 of the 2007 Acts of Assembly and incorporate the principles included in such act, and (iii) local governments, regional organizations, transit agencies and other appropriate entities to develop plans for transit oriented development and the expansion of transit service. Such analyses, plans, and ordinances shall be shared with the regional planning district commission or metropolitan planning organization and the department.

DHCD: In allocating Community Development Block Grant Program funds [i.e., for non-entitlement CDBG communities], preference shall be given to community development projects that further the Principles of Sustainable Community investment identified in Executive Order 69 (2008).