

Capitol Contact

Virginia General Assembly 2014

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State Budget Stalemate Continues

Senate passes its Budget but neither chamber opts to move competing proposals to conference

The House and Senate returned to Richmond last week with a flurry of activity, but both chambers adjourned on Tuesday, April 8, no closer to a resolution of the state budget impasse. The Senate voted to amend Governor McAuliffe's proposed biennial budget, [SB 5003](#), by a vote of 22-15 on Tuesday, April 8. This followed the Senate Finance Committee's decision to report out the amended budget by a vote of 11-3 on Monday, April 7. The House passed its budget, [HB 5002](#) on March 25.

The House reconvened on Tuesday, April 8 and criticized the Senate for adjourning without amending and sending back over the House budget proposal. House Appropriations Chairman Chris Jones stated on the floor that procedurally the House has not and never will consider a Senate budget bill. He urged the Senate to amend the House Budget Bill (HB 5002) and send it back to the House so that the competing proposals could be conferenced. Senate leadership was also critical of the House for failing to take up the Senate proposal, SB 5003. Both chambers adjourned with no schedule for returning to Richmond to settle the dispute.

The Senate and House remain at loggerheads over the issue of Medicaid expansion. The Senate proposal reinserted the Marketplace Virginia program, the privatized Medicaid expansion proposal adopted by the Senate during the regular session. The Governor proposed a two-year pilot expansion of Medicaid and the House already rejected both proposals earlier in the special session.

Overview of Senate Budget

The Senate amended SB 5003 to largely reflect [SB 30](#) which was adopted by the Senate on February 20 and does include some of the Governor's proposed amendments to the Budget. Two major changes impacting counties are the Senate's new proposals for the Line of Duty Act (LODA) and employee compensation.

The Senate accepted Governor McAuliffe's proposal to provide up to \$17 million in FY 2106 to provide full or partial state subsidies to local governments for local employees covered under LODA, pending a review and recommendation from a workgroup lead by the Governor's Deputy Chief of Staff. The Senate also accepted the Governor's proposal to provide a 2 percent salary

increase starting on April 1, 2015 to state supported local employees, constitutional officers and teachers.

Below are additional highlights about the Senate budget proposal. Keep in mind that SB 5003 as introduced by Governor McAuliffe included a series of amendments built on former Governor McDonnell's original introduced budget. The Senate proposal amends SB 5003 to largely reflect SB 30 as adopted by the Senate on February 20, 2014. It includes the general fund costs and savings of the privatized option for Medicaid expansion, technical corrections, and updates to resource estimates, updates based on fiscal impact for bills that passed during the session and the shifting of resources to implement new spending proposals such as salary increases. However, unlike [HB 5002](#), which was adopted by the House during the special session, it does not include preliminary budget compromises between both chambers.

Highlights of Senate Budget proposal for FY 2015 – 2016 (HB 5003 as Amended)

Medicaid - The Senate proposal retains the Marketplace Virginia program, the privatized Medicaid expansion proposal adopted by the Senate during the regular session. The Governor proposed a two-year pilot expansion of Medicaid and the House rejected both Medicaid expansion options. Unlike the Senate budget passed during the regular session, the new proposal incorporates Marketplace Virginia's general fund costs and savings into the budget bill. This includes \$33 million to cover state administrative expenses and \$17.1 million for an additional 500 Intellectual Disability Medicaid waivers. The Senate uses \$188 million, nearly all projected savings from Medicaid expansion, for the Health Reform and Innovation Fund in order to pay for future costs of the expansion.

The Governor proposed using \$100 million of the savings from a two year Medicaid expansion pilot for the Health Reform and Innovation Fund, but used the remaining savings for state retirement payments, an across the board 2 percent pay raise and \$17 million for Line of Duty Act assistance to localities. The House has repeatedly rejected Marketplace Virginia and the two year Medicaid expansion pilot.

Salary Increases – The Senate provides a 2 percent salary increase starting on April 1, 2015 to state employees, state supported local employees, constitutional officers and teachers (SOQ instructional and support positions). The teacher salary increase costs the state \$100.9 million over the biennium. Local governments are not required to provide a local match and the increase can be deferred until July 1, 2015 by school divisions. The salary increase for state employees, state supported local employees and constitutional officers will cost the state \$78.3 million over the biennium. [Click here](#) to read the teacher salary increase budget language and [click here](#) to read the language related to state supported local employees and constitutional officers.

The House Budget provides \$40.4 million in FY 2016 to pay for the state's share of a one percent pay increase for funded SOQ teacher and support positions, effective July 1, 2015. State employees and state supported local employees (excluding those eligible for targeted salary increases) receive a one percent bonus on January 1, 2015 and one percent salary increase in FY 2016 if revenue estimates are met.

Non-Supplanting Language – The Senate Budget includes a VACo priority amendment that removes “non-supplanting” language found in the introduced budget that applied to the targeted 2 percent salary increase for two entry-level deputy sheriff positions, a 4 percent salary increase for the entry level deputy court clerk position, and a 2 percent increase for the next level position. VACo worked to remove this language because it mandates that cities and counties have to give the salary increases for these positions even if the locally-funded salary is above what the state will recognize, or forgo the state reimbursement. The House Budget also removes this language. Both bills also maintain the targeted salary increases for the constitutional officer positions outlined above.

Unfunded Teacher Pension Liability – The Senate did not include the priority VACo supported amendment that would have required the state to accept its proportional share of the \$13 billion in unfunded liabilities in the teacher retirement plan. The House does not include this amendment either.

Line of Duty Act – The Senate accepted Governor McAuliffe’s proposal to reconvenes the Line of Duty Act (LODA) work group in order to review the current administration and funding for the program. The budget includes \$17 million (\$8.5 million in General Fund and \$8.5 million in contingent funding) in the second year to implement the work group’s recommendations. The workgroup is to be composed of the Secretaries of Finance and Public Safety, one member appointed by the Chairman of the Senate Finance Committee, one member appointed by the Chairman of the House Appropriations Committee, the Executive Director of VRS, the State Comptroller, three local government officials appointed by the Governor, and three members appointed by the Governor who represent various groups of beneficiaries covered by LODA. VACo appreciates the Senate providing sufficient funding in FY 2016 to return LODA to a state responsibility, but by not including funding in FY 2015; this policy change remains vulnerable to other uses by the General Assembly.

The House budget does not include funding in FY 2016 to return LODA to a state funded program unlike the Senate proposal. However, the General Assembly passed [HJR 103 \(Jones\)](#), which directs the Joint Legislative Audit and Review Commission (JLARC) to examine the Line of Duty Act (LODA) in a similar manner to the Governor’s proposed review task force.

State Assistance for Police Departments (HB 599) – The Senate and the House maintain the \$7.1 million in additional funding for FY 2015 (total \$179.5 million) and \$14.24 million in additional funding for FY 2016 (total \$186.7 million). Both Budgets clarify the distribution of House Bill 599 funding to provide that no locality receive any less in FY 2015 and FY 2016 as it did in FY 2014. However, the additional funding included in the introduced budget will be distributed pursuant to the statutory formula.

Cost of Competing Adjustment (COCA) for support positions – Adds \$5.4 million for eligible school divisions in Northern Virginia for FY 2015 only. The House provides this additional \$5.4 million in both FY 2015 and FY 2016.

Health Insurance for School Employees – The Senate added an amendment proposed by Governor McAuliffe that allows local school divisions to decide if they want to participate in the state employee health plan effective July 1, 2015, and requires the Department of Human Resource Management to develop procedures for their participation. The House Appropriations Committee rejected similar legislation during the regular session of the General Assembly.

Non-Personal Support Costs – The Senate provides \$9.6 million in FY 2015 to restore 25 percent of an inflation factor used in the calculation of state costs for non-personal support items in education funding, such as utilities, transportation, insurance premiums and fuel. The introduced budget proposed the elimination of this funding adjustment and the House proposal maintains this elimination.

Stormwater Local Assistance Fund – The Senate shifts \$20.0 million in bond funding in the introduced budget from FY 2016 to FY 2015. The House allocates \$30 million in General Fund dollars and \$8 million in bond funding in FY 2015.

Planning District Commissions - The Senate and House restore the proposed \$70,000 annual cut to the PDC's.

[Click here](#) to read the **Senate Finance overview presentation of SB 5003**.

[Click here](#) for a more detailed analysis of **SB 5003** from Senate Finance.

[Click here](#) for **HB 5002** summary handout from House Appropriations.

[Click here](#) for the list of amendments adopted by the House for **HB 5002** and by the Senate for **SB 5003**.

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