Overview of the Budget for 2006-08, as Adopted

The budget as adopted for 2006-08 incorporates significant increases in the revenues above the amounts forecast last year, and substantial uncommitted balances that resulted primarily from the revised revenue forecast for fiscal year 2006. Together, these factors provided about $34.8 billion in available general fund resources for the 2006–08 biennial budget.

The budget, as adopted, includes net operating increases of $4,853.5 million above the 2004-06 current services budget, plus slightly over $1.0 billion for capital outlay funding. An unappropriated balance of $113.0 million includes some $63 million from correction of an error related to the distribution of sales tax to public education. This error was corrected in HB 5032, 2006 Special Session I.

General Fund Budget for 2006-08
($ in millions)

Resources Available for Appropriation	$ 34,832.6
Operating Appropriations	33,698.9
Capital Outlay Appropriations	1,020.7
Unappropriated Balance	$ 113.0

The adopted budget includes about $1.6 billion in one-time general fund spending, including $1.0 billion for capital outlay, $339.0 million in a contingent appropriation for transportation, and $232.5 million for water quality improvements.

Revenues

The 2006-08 budget as adopted includes $31.7 billion in general fund revenues available for appropriation, based on growth rates of 4.2 percent for FY 2007 and 5.1 percent for FY 2008. The budget also includes $1,410.0 million as a projected balance forward at the end of the 2004-06 biennium, along with $134.0 million in balance adjustments. This balance resulted from the ripple effect of a $544.6 million revenue surplus in FY 2005 related primarily to three sources (non-withholding, corporate and deed recording taxes).

Finally, the general fund forecast contains almost $1.6 billion in transfers for the biennium. Of this amount, $853.1 million represents the transfer of lottery profits and $468.5 million over the biennium representing the additional one-quarter cent for public education. Other customary transfers include ABC profits of $56.4 million for the biennium, plus about $130.0 million from ABC profits and $19.8 million from wine tax profits directed to the Department of Mental Health, Mental Retardation and Substance Abuse Services for substance abuse programs.

General Fund Resources Available for Appropriation
(2006-08 biennium, $ in millions)

Beginning Balance	$ 1,410.0
Adjustments to Balance	134.0
Revenue Estimate	31,702.9
Lottery Proceeds	853.1
Other Transfers	732.6
Total GF Resources	**$34,832.6**

Adopted Spending Increases

The adopted budget includes net new spending of $4,853.5 million GF above the adjusted base budget for the next biennium. Major spending items include:

- $1,355.4 million GF for the cost of the state's share of the Standards of Quality for public schools, including projected enrollment, prevailing salaries and nonpersonnel costs, adjusted benefit contribution rates, updates to related categorical and incentive programs, and updates to the composite index.

- $1,020.7 million GF for new capital projects, cost overruns, equipment, and maintenance reserve funding.

- $499.6 million GF for a salary increase effective late 2006 (FY 2007) that would provide a four percent salary increase for teachers, state and state-supported local employees, and an average 3.65 percent salary increase to continue moving teaching and research faculty towards the 60th percentile of peer institutions nationally.

- $483.5 million GF to address the increased cost of Medicaid utilization and inflation.

- $339.0 million GF for a one-time transportation initiative, contingent upon the passage of a transportation program.

- $237.3 million GF for enrollment growth and base adequacy at Virginia's public colleges and universities. In addition, $76.3 million GF is provided for a higher education research initiative.

- $216.6 million GF for wastewater treatment.

- $112.8 million GF for debt service on previously authorized capital projects, for new projects, and equipment for previously authorized projects.

Major Spending Increases in HB 5002, as Adopted (Incorporating HB 5032)

(Biennial GF, $ in millions)

Public Education	
Direct Aid	
Re-Benchmarking technical updates:	
– SOQ funding for ADM, salaries, health care, transportation, textbooks	$941.9
– Sales tax revenue estimates	185.0
– Benefit rates for SOQ positions: VRS @ 9.2% & Group Life @ 0.49%	165.9
– Composite Index	41.3
– Categorical Programs	13.5
– 2005 Triennial Census (School-Aged Population)	7.8
4.0% Salary increase for SOQ instructional FTEs and 3.0% salary increase for support FTEs, Dec. 1, 2006	207.3
VRS rate from 9.20% up to 10.30% to decrease amortization rate from 30 years to 21 years in FY 2008	27.9
Phase in six school divisions in cost of competing adjustment (COCA)	9.6
At-Risk Four-Year-Old initiative per pupil amount from $5,400 to $5,700	6.6
Lottery revenue mid-year adjustment	6.4
Education for a Lifetime - Incentives for highly qualified teachers in hard-to-staff schools	2.3
Federal revenue deduct calculation correction	1.7
Career and technical education-regional center, equipment, planning	1.6
Dept. of Education	
NCLB: Education Information Management System	$1.3
Health & Human Resources	
Dept. of Medical Assistance Services	
Medicaid utilization and inflation	$483.5

Medicaid impact of Medicare Part D	38.9
Impact of tobacco tax shortfall on Va. Health Care Fund	36.0
Increase hospital inpatient reimbursement	15.9
Increase pediatric rates by 5% each year	10.0
Low-income children (Medicaid SCHIP) caseload growth	8.1
Increase payments to nursing facilities	7.9
Increase reimbursement rates for physician services	6.9
Outsource payroll processing for consumer-directed personal attendant services	3.9
FAMIS caseload growth	3.6
Expand eligibility for FAMIS Moms program	2.8
Increase the personal maintenance allowance for waiver services	2.6
Increase personal care payment rates	2.6
Add 65 new Developmentally Disabled Waiver slots	1.7
Programs for the All-inclusive Care of the Elderly (PACE) start-up funds	1.5
Increase skilled nursing payment rates	1.5
Medicaid impact of increased breast and cervical cancer screenings	1.4
Medicaid impact of Auxiliary Grant rate increase	1.0
Dept. of Mental Health, Mental Retardation & Substance Abuse Services	
Mental retardation restructuring	$72.7
Mental health restructuring	53.6
Sexually Violent Predator (SVP) facility operating costs	10.0
Address shortfall in facility medications	9.2
Address shortfall in community medications	5.8
Replace food service units at mental health and mental retardation facilities	2.6
SVP services and administrative costs	2.1
Enhance billing for Medicare Part D drug program	1.5
Develop a career ladder for direct care workers at MHMR facilities	1.0
Department of Social Services	
Mandatory adoption subsidy payments	$28.9
Add GF to provide day care and address TANF shortfall	14.8
Fund VITA costs for program eligibility determinations	6.9
Create Early Childhood Foundation	2.5
Increase funding for Community Action Agencies	1.8
Increase Auxiliary Grant payments to Assisted Living Facilities	1.0
Increase funding for Healthy Families	1.0
Comprehensive Services for at-risk youth and their families	
Fund caseload and cost increases for CSA	$48.4
Department of Health	
Fund drinking water construction projects	$5.2
Increase funding for Trauma Centers	3.8
Expand use of electronic health records	1.8
Rate increase for death investigators	1.3
Expand Community Health Centers	1.3
Expand Resource Mothers program	1.2
Department for the Aging	
Area Agencies on Aging Hold Harmless Funding	$2.5
Department of Rehabilitative Services	

Expand brain injury services	$2.3
Expand long-term employment support services	$1.5

Transportation

Va. Dept. of Transportation

Use of GF surpluses for transportation	$339.0
Auto insurance premium tax revenues for transportation	228.9

Capital Outlay

Miscellaneous new construction	$437.1
Miscellaneous renovations	166.4
Project cost overruns	166.2
Maintenance reserve for state agency facilities	134.0
Equipment for previously approved projects	41.3
Property acquisitions	36.6
Miscellaneous planning, project supplements and scope changes	23.1
NSU Maintenance Reserve	8.7
VSU Maintenance Reserve	7.3

General Government

Employee Compensation

4% salary increase for classified employees (November 25, 2006)	$128.5
Fund increase in State employee employer health care premiums	71.1
4% salary increase for state supported local employees (Dec. 1, 2006)	53.6
Three percent salary reserve for FY 2008	48.5
State employee VRS rate adjustments	43.2
Salary reserve for SOQ instructional positions for FY 2008	22.0
State agency employee pay practices funding	16.1
State employee group life insurance premiums	13.9
Three percent salary reserve for faculty for FY 2008	12.9
Reduce VRS amortization period for state employee retirement	9.8
Virginia Sickness and Disability Program premiums	5.2
Mileage reimbursement rate increase from 32.5¢ to 44.5¢	3.2
State employee retiree health care credit (HB 59)	1.9

Compensation Board

Staffing for Commonwealth's Attorneys	$13.3
Annualize December 2005 salary increase for Constitutional Officers	5.3
Staff new jails and jail expansions	4.8
Maintain 1:1,500 law enforcement deputy ratio	2.6
Additional staffing for court security functions	1.3
Additional positions for Circuit Court Clerks	2.5
Additional positions for Treasurers	1.1
Additional positions for Commissioners of the Revenue	1.0

Department of General Services

Information technology enhancements	$1.6
Adjust funding for cost of basic services	1.2

Department of Veterans Services

Additional staffing	$1.4

Central Appropriations	
Base Realignment and Closure Response funding	$25.0
Update aerial photography E-911 address file	2.5
Increase funding for Council on Virginia's Future	2.3
Governor's Motion Picture Opportunity Fund	1.3
Virginia Base Map update	1.2
Other	
Misc. insurance and VITA rate increases	$32.4
Department of Accounts Transfer Payments	
Rainy Day Fund deposit	$138.3
Additional funding for Line of Duty Program	9.7
Department of Taxation	
Initiate new and enhanced compliance initiatives	$1.4
Treasury Board	
Adjust funding for debt service payments	$106.4
Higher Education research package equipment funding	6.1

Higher Education/Other Education

SCHEV	
Increase Tuition Assistance Grants (TAG)	$17.3
Virtual Library	1.5
Colleges & Universities	
Enrollment growth and base adequacy	$237.3
New Research Initiative	76.3
Provide faculty salary increase	48.4
Provide additional undergraduate student financial aid	21.7
Fund operation & maintenance of new facilities	9.7
Enhance nursing programs, multiple institutions	5.7
Select research and public service centers	4.5
Replace and update computing systems, multiple institutions	3.6
Graduate education at UMW	3.5
ODU Wind Tunnel	2.0
Software Engineering and Computer Science at UVA-Wise	1.7
Virginia Tech extension staffing	1.3
VMI/VT Unique Military	1.1
Affiliated Higher Education	
EVMS base operating support	$8.4
Southside New College Initiative	2.5
Higher Education Centers operating support	2.3
Other Education	
Jamestown agency operations and security funds for Jamestown 2007	$4.7
Commission for the Arts - increase grants	4.1
Library of Virginia - operating support/State Aid to Local Libraries	3.9
Museum of Fine Arts – security/workload related to expansion	1.8
Other State Museums (Science, Frontier Culture, Gunston Hall) operating support	1.6

Agriculture and Forestry

Secretary of Agriculture and Forestry	
Virginia Horse Center	$4.5
Department of Forestry	
Establish water quality team	$1.3
Purchase firefighting equipment through MELP	1.2

Commerce and Trade

Department of Housing and Community Development	
Drinking/wastewater improvement projects	$4.8
Expand rural access to broadband technology	2.6
Create regional research and development centers	1.2
Enterprise Zone Program	1.0
Department of Mines, Minerals and Energy	
Increased workload for mineral extraction	$2.0
Biofuels Incentive Fund	1.0
Virginia Economic Development Partnership	
New River Valley Center for Excellence	1.0
VA National Defense Industrial Authority	1.0
Virginia Tourism Authority	
Increased funding for leveraged advertising	$2.0
Additional marketing of Jamestown 2007	1.8
Central Appropriations	
Semiconductor manufacturing performance grants	$37.2
Governor's Opportunity Fund	15.1
Semiconductor education grants	5.0
Virginia Investment Partnership grants	1.6

Public Safety

Correctional Education	
Establish educational programs at new DOC facilities	$4.8
Department of Corrections	
Open and operate four new DOC facilities or major expansions	$85.5
Fund increased inmate medical costs	15.8
Sexually Violent Predator Program supervision and monitoring	6.1
Additional probation/parole officers to address caseload growth	5.6
Fund increased private prison rates	3.8
Develop and implement the Offender Management System	3.7
Continue development of Correctional Information System	3.7
Corrections Special Reserve Fund (Woodrum Impacts)	3.5
Replace expiring federal substance abuse treatment grants	2.7
Expand sex offender containment programs	2.2
Restore institutional psychologists	1.6
Second phase of Mount Rogers Prison Project	1.5
Fund upgrades at Craigsville Wastewater Treatment Facility	1.2
Criminal Justice Services	
Funding for the H.B. 599 program	$33.8

Violent crime reduction (H.B. 599)	3.5
Continue the Pre- and Post-Incarceration Program	2.4
Increase local probation/pretrial services capacity	2.0
Forensic Science	
Increase scientific and support staffing	$2.2
Use overtime and contract laboratories to reduce drug case backlog	1.4
Juvenile Justice	
Staff and operate additional units at Culpeper and Hanover Centers	$4.4
Fund workforce development program at Juvenile Correctional Centers	1.4
Military Affairs	
National Guard Foundation & Military Family Fund	$1.0
State Police	
Increase State Police trooper patrol staffing	$9.8
Add State Police troopers for Sex Offender Registry enforcement	8.8
Replace obsolete law enforcement automated systems	5.8

Judicial Department

Supreme Court	
Provide funding for Drug Courts	$5.0
Funding for technical services to Judges, Clerks, and Magistrates	0.8
Circuit Courts	
Increase funding for Criminal Fund	$18.6
Increase Court-Appointed Attorney payment rates	6.4
Independent evaluation of sexually violent predators	0.9
General District Courts	
Additional District Court staffing	$2.0
New Judgeships	1.2
Increase funding for Involuntary Mental Commitment Fund	0.8
Juvenile and Domestic Relations District Courts	
New Judgeships	$1.6
Indigent Defense Commission	
Increase Public Defender staffing levels	$4.3

Natural Resources

Department of Conservation and Recreation	
Address State Park operations and staffing needs	$4.2
Provide additional support to Soil and Water Conservation Districts	4.0
Funding for dam safety legislation	0.7
Department of Environmental Quality	
Provide funding for wastewater treatment improvements	$200.0
Funding for Southern Rivers wastewater treatment	12.8
Funding for Combined Sewer Overflow Project	3.8
Chesapeake Bay clean-up monitoring	2.0
Provide additional funding for TMDL Program	1.4
Add funding to ensure adequate groundwater supplies	0.9
Virginia Museum of Natural History	
Provide additional funding and staffing for new museum	$0.9

Executive Offices	
Office of the Governor	
Provide state support for Office of Commonwealth Preparedness	$1.0
Office of the Attorney General	
Funding for additional positions	$4.0
Enterprise Applications Public-Private Partnership Office	
Establish funding for Enterprise Applications project office	$11.0
Office of Commonwealth Preparedness	
Staffing to address office responsibilities	$1.2
State Grants to Nonstate Entities	$36.7

Budget Savings

The adopted budget includes about $78.5 million in general fund budget savings, as detailed below:

Major Spending Reductions In HB 5002, as Adopted

(Biennial GF, $ in millions)

Public Education	
Direct Aid	
Net Sales Tax corrections (HB 5032)	($62.8)
Inflation factor "soft cap" adjustment of 35 percent over 5 percent increase	(33.7)
Technical – update incentive-based programs (non-participation savings)	(26.8)
Technical – update Lottery proceeds based on North Carolina impact	(12.2)
EFAL – Teacher Mentor and Teacher Corps participation	(1.4)
Department of Education	
Procurement contracts for standardized testing	($5.2)
Health & Human Resources	
Department of Medical Assistance	
Reduce the general fund share of Medicaid expenditures at Central Virginia and Southeast Virginia Training Centers to reflect lower patient censuses and operating efficiencies	($9.2)
Implement Family Planning Waiver program	(2.4)
Implement a specialty drug program	(1.4)
Outsource compliance audits for various services	(1.0)
Department of Mental Health, Mental Retardation and Sub. Abuse Svs.	
Reduce operating costs at Western and Eastern State Hospitals from a reduction in patient census and operating efficiencies	($5.5)

General Government	
Central Accounts	
K-12 group life and retiree health care credit rate adjustments	($5.8)
Reduce economic contingency account funding	(2.0)
Reduce FY 2006 Enterprise PPEA funding	(1.9)
Remove FY 2006 nonstate agency funding	(1.4)
Public Safety	
Department of Corrections	
Revise medium security facility opening date	($1.7)
Natural Resources	
Department of Environmental Quality	
Capture state overmatch to reduced federal grants	($4.6)
Technology	
Virginia Information Technologies Agency	
Capture technology operating efficiencies	($1.6)
Remove one-time funding for technology purchases	(1.0)

A summary of significant general fund spending increases and savings actions in each major area follows.

Public Education. The adopted 2006-08 budget for Direct Aid to Public Education results in a net increase of $1,502.8 million GF over the biennium, after adjusting Chapter 3 for the $62.8 million GF reduction in FY 2008 resulting from the adoption of HB 5032, which updated sales tax distribution errors.

The biennial increases for Direct Aid to Public Education include $1,316.6 million GF to update the Standards of Quality, Incentive, and Categorical accounts for formula-driven technical updates and revised fringe benefit rates. These include projected Average Daily Membership (ADM) enrollment of 17,436 additional students by the second year; increased prevailing salaries and non-personnel costs of education; sales tax and lottery revenue projections; and updated composite index calculations.

In addition, other increases include: $207.3 million GF for the state's share of a 4.0 percent salary increase for teachers and a 3.0 percent salary increase for support positions in the Standards of Quality (SOQ), effective December 1, 2006; $22.0 million GF in a central accounts reserve that may be used towards a second year salary increase; $9.6 million GF to phase-in the cost of competing adjustment for six additional localities impacted by the

Northern Virginia regional labor market; and $2.3 million GF to complete a pilot program to attract and retain highly qualified teachers in "hard-to-staff" schools by providing incentives and bonuses.

Other amendments include $20.0 million GF to restore Literary Fund proceeds to be used for direct loans for school construction projects; $6.6 million GF to increase the per pupil amount for the Virginia Preschool Initiative for at-risk four-year-olds; $800,000 GF for the Career and Vocational Education Center; $600,000 GF for career and vocational equipment purchases; $549,092 GF to support industry certification efforts; and $500,000 GF as a one-time to match for a Gates Foundation grant to the Communities in Schools program.

For the Department of Education, new spending totaling $2.0 million GF over the biennium is offset by savings of $5.2 million GF reflecting the lower than anticipated contract amount for standardized testing services. The new spending includes $1.3 million GF for an increase in the Education Information Management System (EIMS); $525,875 GF for additional National Board Certification awards; and $143,236 GF and two positions to implement the Schools for Students with Disabilities Tax Credit Fund (Neighborhood Assistance Program)

Higher Education. The adopted budget provides a biennial increase of $450.1 million GF, or about 14.2 percent when compared to the adjusted base appropriation. Increases for higher education include $237.3 million GF to address enrollment growth and base adequacy; $76.3 million GF for a higher education research initiative; $48.4 million GF to continue moving average faculty salaries to the 60th percentile of peer institutions nationally; and $39.0 million GF in undergraduate student financial aid at public and private institutions, including $17 .3 million for the Tuition Assistance Grant.

Other Education. The adopted 2006-08 budget provides a net increase of $17.6 million GF over the biennium for state museums and other educational agencies, an increase of 15.6 percent over the adjusted base budget. The amendments include $4.1 million GF for grants to arts organizations through the Virginia Commission for the Arts; $2.8 million for aid to public libraries; $1.5 million GF for additional security services during construction and 6.0 new positions for prepare new gallery space at the Virginia Museum of Fine Arts; $1.3 million GF for public safety costs during the three weekend events related to the 400th anniversary of Jamestown; $1.1 million GF for "product readiness" activities for the Jamestown Yorktown Foundation; $0.7 million for electronic and digital record management at the Library of Virginia; and $0.7 million and 3.0 new positions for facility upkeep at the Science Museum of Virginia.

Health and Human Resources. The 2006-08 adopted budget for Health and Human Resources (HHR) provides a net increase of $912.1 million GF and $400.3 million NGF when compared to adjusted appropriation for current operations. About 75 percent of new GF spending in Health and Human Services is required to meet projected caseload and cost increases, and comply with federal and state mandates. Caseload and cost increases in

Medicaid, Medicaid SCHIP and FAMIS (the state health insurance programs for low-income children), the adoption subsidy program, and the Temporary Assistance to Needy Families (TANF) program total about $682.0 million GF. An additional $38.9 million is required to implement the new federal Medicare Part D prescription drug benefit -- marking the first time that states have been required to make a contribution to the federal government for a non-state program.

Other significant spending increases include: $126.2 million GF for proposals to restructure the mental health, mental retardation and substance abuse services system by bolstering community services; $51.0 million for health care provider rate increases, $32.1 million to expand health and social services for low-income families, and aged and disabled individuals; $17.4 million to maintain current agency operations by funding energy, insurance and other cost increases; $12.2 million to civilly commit, house, monitor, and treat sexually violent predators; $9.5 million for programs to preserve access to health and social services; and $6.5 million to promote efficiencies in government, such as the adoption of Electronic Health Records.

General fund spending reductions are concentrated in two areas: Medicaid ($18.9 million) and mental health, mental retardation and substance abuse services ($5.5 million GF). Medicaid savings are anticipated from the discharge of residents at two mental retardation training centers as additional resources are allocated to expand community-based services. Additional Medicaid savings are expected from the expansion of Medical family planning services, enhanced federal funds for prior authorization services and adjustments to appropriations for involuntary mental health commitments and supplemental assisted living payments. Finally, Medicaid savings are expected from more rigorous compliance audits for certain Medicaid services and the implementation of a Specialty Drug Program for chronic diseases that are treated by expensive medications. Savings at two mental health hospitals are anticipated as patients are appropriately discharged into community programs and additional resources are provided to divert individuals with mental illness from state facility care.

Public Safety. The adopted budget provides over $90 million GF to open four new adult correctional facilities, including two new 1,024-bed medium security facilities in Pittsylvania and Tazewell Counties, Phase II at St. Brides in Chesapeake, and the expansion of Deerfield (Southampton County). Another $4.4 million is provided to open housing units at Culpeper and Hanover Juvenile Correctional Centers.

For the Department of Corrections, an additional $15.8 million GF is added to support medical care for inmates. The adopted budget also includes $5.6 million for 53 new probation officers to meet the increasing supervision caseload, $2.2 million for five new sex offender containment programs in district probation offices, and $3.7 million to upgrade the Corrections Information System to include new systems to manage community corrections.

A new reentry initiative totaling $5.9 million GF is included for expanded services in Corrections, Juvenile Justice, and Correctional Education to assist offenders in the process of reintegration into their home communities upon release from state facilities.

The budget includes an additional $33.8 million to meet the statutory responsibility to increase state aid for localities with police departments (HB 599) consistent with the projected increase in general fund revenues, plus $3.5 million (to be distributed according to the level of violent crime) to those localities which would otherwise lose funding under the existing HB 599 formula.

For State Police, the budget provides $9.8 million to fill state trooper vacancies held open due to lack of sufficient funds, $5.8 million to upgrade law enforcement information systems, and $0.9 million GF to enhance the sex offender registry. Another $6.2 million is provided for the Department of Forensic Services to meet workload increases.

Significant nongeneral fund amendments include $11.5 million to reflect increased sales of alcoholic beverages at the ABC stores (offset by the loss of $5.0 million due to lower sales of lottery tickets). The budget also includes $24.0 million NGF to reflect increased sales of prison-made goods and services by Virginia Correctional Enterprises, and an additional $6.0 million NGF from court fees for the Virginia Domestic Violence Victims Fund grant program. Finally, an estimated $60.0 million is included to reflect expected federal homeland security grants.

Transportation. The 2006-08 adopted budget includes $648.0 million GF and $8.9 billion NGF, an increase of 18 percent over the 2004-06 biennium. The GF amount includes $228.9 million in on-going resources for transportation, derived from one-third of the projected insurance license tax revenues, as provided by the Virginia Transportation Act of 2000. An additional $339.0 million GF is provided in the first year as a one-time commitment to expedite transportation improvements. The Special Session on transportation did not adopt legislation allocating these funds so they remain unallocated within VDOT.

The adopted budget includes $15.4 million over the biennium for a variety of computer systems upgrades at the Department of Motor Vehicles, including the Department's primary system – Customer Services System (CSS). The reengineering of the CSS is anticipated to total in excess of $30.0 million, of which $9.1 million NGF would be funded in the upcoming biennium, with the remainder financed through the master equipment lease program through FY 2011.

General Government. Major general fund increases in the Offices of Administration, Finance, and Technology, and the Independent Agencies include: $138.3 million for deposit to the Rainy Day Fund, $106.4 million to reflect estimated debt service payments needed to finance existing bond authorizations, $13.3 million GF for additional Commonwealth's Attorney staffing, $9.7 million to fund benefits payable to disabled or deceased public safety officers under the Line-of-Duty Act, $6.4 million GF for additional staffing for other

constitutional officers, $4.8 million GF to provide staffing for new or expanded jail facilities, $2.6 million GF to maintain the 1:1,500 law enforcement officer ratio, $1.6 million GF in technology enhancements for the Department of General Services, $1.4 million GF for additional staffing within the Department of Veterans Services to improve benefit claims processing, and $1.4 million to strengthen tax compliance efforts.

Although budgeted to statewide offices, $11.0 million GF is provided to establish the Enterprise Applications Public-Private Partnership Project Office, which will oversee the modernization of the Commonwealth's business information systems.

The adopted budget also includes a $1.6 million GF reduction resulting from anticipated savings due to the VITA implementation. The savings will be realized in FY 2007, rather than in FY 2006 as originally anticipated.

Nongeneral fund increases include: $12.2 million NGF for operation of the new Sitter-Barfoot Veterans Care Center in Richmond, $16.0 million to VITA for E-911 operations; $6.0 million to VITA for creation of an Acquisition Services Special fund; $5.4 million to the Virginia Retirement System for workload increases; $2.6 million for the Virginia Veterans Care Center in Salem, and $1.3 million to administer the collection of local communications sales and use taxes. Nongeneral fund decreases include a reduction of $23.1 million to reflect more accurately the final payments due under the Department of Taxation partnership agreement.

Legislative. The adopted budget provides $0.7 million GF each year for the Division of Capitol Police for 13 additional sworn officers and one secretary, along with $232.030 GF over the biennium for a new intermediate step between entry level police officer position and the first ranked position. Each of these two actions is contingent upon approval of a plan by the Joint Committee on Rules. Also, $135,627 GF each year is included to enhance the career development plan for attorneys employed by the Division of Legislative Services, the Joint Commission on Technology and Science, and the Virginia Freedom of Information Advisory Council.

Executive Offices. The adopted budget adds $4.0 million GF and 27 GF positions, and $1.2 million NGF and seven NGF positions over the biennium to address workload requirements in the Office of the Attorney General. The budget also consolidates positions from the Department of Taxation into the Attorney General's office for the tobacco enforcement unit for the Master Settlement Agreement. The adopted budget also adds $0.5 million GF and three positions each year for the Office of Commonwealth Preparedness to replace federal grants that have expired, plus an additional $0.6 million GF and six positions each year to enhance the capabilities of this office. Finally, the adopted budget transfers the Virginia Liaison Office into the budget for the Office of the Governor.

Judicial. The adopted budget adds $18.6 million GF for the Criminal Fund, plus $6.4 million GF to raise attorney fees to the statutory caps for representation of indigent defendants

in criminal cases. In addition, the budget includes $14.3 million NGF over the biennium to modernize the court's technology infrastructure, utilizing increased filing and other fees (pursuant to Chapters 623 and 718 of the 2006 Session). New judgeships are provided for the Third Circuit (City of Portsmouth) and for the 19th, 20th and 27th General District Courts and the 7th, 14th, 19th and 26th Juvenile and Domestic Relations District Courts. In addition, the adopted budget includes $4.3 million GF for 32 new public defenders and support staff. An additional $5.0 million GF is included to replace nongeneral funds which are no longer available to support 14 existing drug court programs.

Central Appropriations. A total of $2,420.3 million GF is included in the Central appropriations: a net general fund increase of $484.8 million above the base appropriation. Major funding items include $466.6 million GF for salary increases for state employee and state-supported local employees and increases for state employee health insurance and benefit programs as described below; funding for semiconductor performance grant programs discussed below in Commerce and Trade; $25.0 million GF to assist impacted localities implement and respond to the approved recommendations of the 2005 Base Realignment and Closure Commission (BRAC), and $15.1 million GF for the Governor's Opportunity Fund. In addition, $950.0 million GF annually is provided to fund the Personal Property Tax Relief program.

- ***State Employee Compensation and Benefits.*** A total of $466.6 million GF is provided for increases in public employee compensation and benefits. Of this amount, $327.3 million GF is provided for salary increases for state classified employees and state-supported local employees, including a reserve of $83.4 million GF set aside for state employee and state-supported local employee salary increases in FY 2008. Central Appropriations contains $175.8 million GF for salary actions affecting state classified employees on November 25, 2006 including a 4.0 percent salary increase for all state classified employees on November 25, 2006 and funding for agency pay practices to address recruitment, retention, and other compensation issues. In addition, $68.1 million GF is provided for a 4.0 percent salary increase on December 1, 2006 for state state-supported local employees.

  - Funding of $68.1 million GF is included to address the increase in employer contribution rates for VRS-administered programs. These programs include the: retirement sytsems for state employees, state police and judges;retiree health insurance credit, sickness and disability, and group life insurance.

Finally, $71.2 million GF is included for the employer's share of the increase in health insurance premiums effective July 1, 2006. This amount also fully funds enhanced prevention and wellness coverage by eliminating certain out-of-pocket costs for routine medical provider visits and tests.

Commerce and Trade. The 2006-08 appropriation for Commerce and Trade includes $223.0 million GF and $1,463.9 million NGF. This is $27.3 million GF and $120.3 million NGF greater than the adjusted appropriation for current operations.

The adopted budget provides $37.2 million GF for semiconductor performance grant programs through Central Appropriations. In addition, approximately $12.7 million GF is provided to the Department of Housing and Community Development for several initiatives, including $4.8 million GF for drinking water and wastewater projects in Southwest Virginia, $2.6 million GF to expand rural access to broadband technology, and $1.0 million GF for the Enterprise Zone Program. An additional $4.1 million GF is appropriated for the Virginia Tourism Authority with $1.8 million GF designated for advertising and marketing the Jamestown 2007 Commemoration. Finally, $4.3 million GF is appropriated to the Department of Mines, Minerals and Energy, including $1.0 million GF to establish the Biofuel Incentive Fund.

Natural Resources. The 2006-2008 appropriation for Natural Resources includes a total of $425.3 million GF and $415.0 million NGF. For the general fund, this total is $231.1 million, or 119.0 percent, larger than the adjusted appropriation for current operations. For nongeneral fund spending, the total adopted budget is $17.3 million (4.4 percent) greater than the adjusted appropriation for current operations.

Water quality and related issues funded through the Department of Environmental Quality (DEQ) comprise almost the entire general fund increase included in the approved budget including: $200.0 million GF to assist wastewater treatment plants in the Chesapeake Bay Watershed control the amounts of nutrients (nitrogen and phosphorus) entering state waters; $12.8 million GF for wastewater treatment plants in the Southern Rivers Watersheds to control nutrients; $3.8 million GF to assist the City of Richmond address combined sewer overflow issues; and $2.0 million GF to increase water quality monitoring in the Chesapeake Bay watershed.

An additional $4.0 million GF is provided for the Soil and Water Conservation Districts to implement nonpoint source activities. The budget also includes $4.2 million GF and 21 positions for the state park system. These funds are targeted to facilities opening in the 2006-2008 biennium.

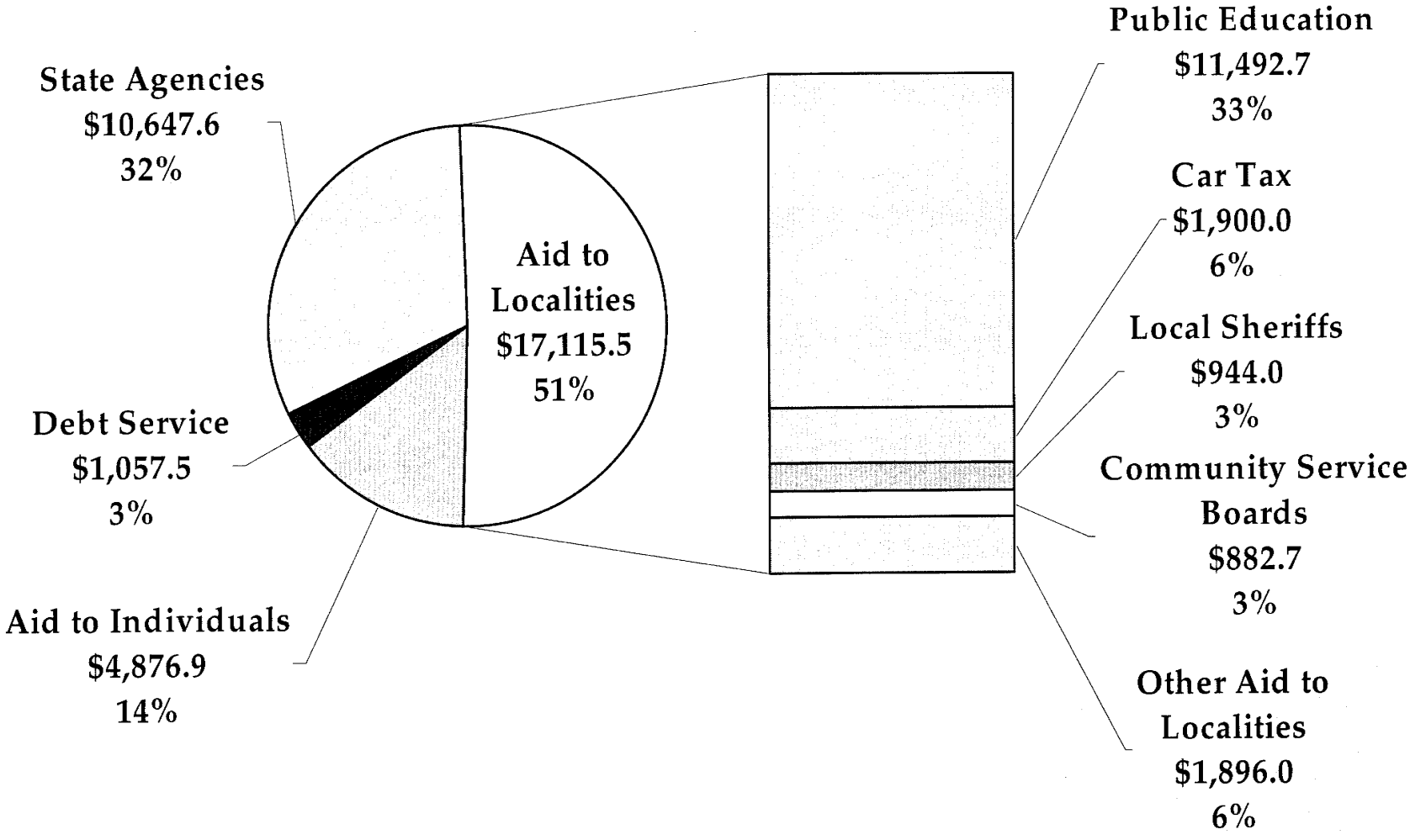
Capital Outlay. The budget as adopted for 2006-08 includes over $2.3 billion in capital outlay funding, including $1.0 billion from the general fund. Of this amount, funding includes $603.5 million for new construction and renovation projects primarily at higher education institutions, $166.2 million to address cost overruns for previously approved capital projects, $151.0 million for the maintenance reserve program, $41.3 million for equipment at buildings expected to be completed during the biennium, $36.6 million for property acquisitions, and $23.1 million for other project supplements and planning.

The budget also includes bonding authority for revenue generating projects totaling $719.5 million. Nongeneral fund projects, primarily in higher education, total $519.6 million. Finally, the budget includes $90.0 million in Virginia Port Authority bonds for the improvements at the Norfolk International Terminal.

Through separate legislation the General Assembly also approved the use of $201.9 million in tax-supported debt from the Virginia Public Building Authority for the completion of the State Agency Radio System (STARS).

Grants to Nonstate Agencies. The adopted 2006-08 budget provides $36.7 million GF the first year for grants to 312 non-state agencies.

2006-2008 GF Operating Budget
$33,698.8 million



Resources

The adopted 2006-08 budget includes $34.8 billion in general fund resources available for appropriation.

General Fund Resources Available for Appropriation (2006-08 biennium, $ in millions)	
Beginning Balance	$1,410.0
Adjustments to the Balance	134.0
Official GF Revenue Estimate	31,702.9
Transfers	1,585.7
GF Resources Available for Appropriation	**$34,832.6**

Available Balance

The adopted budget includes $1,410.0 million as a projected unspent balance at the end of the 2004-06 biennium, along with $134.0 million in balance adjustments. Balances result from the ripple effect of a $544.6 million revenue surplus in FY 2005 related primarily to three sources (non-withholding, corporate and deed recording tax), and the continued healthy growth of these three sources in FY 2006.

Economic Projections

The 2006-08 general fund revenue forecast assumes growth rates of 4.2 percent for FY 2007 and 5.1 percent for FY 2008, resulting in projected collections of $31,702.9 million. The forecast assumes that job growth will be slightly below long-term trends as federal defense/Homeland Security spending and the housing market in Northern Virginia soften. The forecast assumes that income and wage/salary growth will mirror long-term trend growth in the range of 6.0 to 6.5 percent.

Growth is expected to moderate in the three volatile revenue sources that generated the majority of revenue adjustments in the 2004-06 biennium (non-withholding, corporate and deed recording tax) as (1) abnormal activity related to federal tax law changes and one-time events like the $32 billion Microsoft dividend is not replicated, (2) corporations increase spending for capital investments and operating costs, and (3) the housing market cools.

The slowing housing market, coupled with higher interest rates, is also expected to dampen consumer spending and related retail sales tax as fewer cash-out refinancings occur.

Economic Variables Assumed In Forecast Percent Growth Over Prior Year (December Forecast)				
	FY 2007		FY 2008	
	VA	U.S.	VA	U.S.
Employment	1.7%	1.4%	1.6%	1.3%
Personal Income	6.5%	6.4%	6.0%	5.8%
Wages & Salaries	6.4%	6.0%	6.0%	5.8%

Economic Forecast of General Fund Revenues Projected Growth (2006-08 biennium, $ in millions)				
	FY 2007	% Growth	FY 2008	% Growth
Net Individual	$9,655.5	3.7%	$10,172.5	5.4%
Corporate	787.6	(9.6)%	795.9	(1.0)%
Sales	3,155.0	11.9%*	3,317.7	5.2%
Insurance	416.4	11.4%	440.2	5.7%
Recordation	588.0	(15.4)%	665.0	13.1%
All Other	858.1	8.2%	851.0	(0.8)%
Total Revenues	**$15,460.6**	**4.2%**	**$16,242.3**	**5.1%**

*Growth rate is artificially inflated due to elimination of accelerated sales tax collections in FY06.

Impact of Policy Changes on Revenue Estimates

In addition to economic variables, the revenue estimate is affected by (1) $15.8 million in tax compliance revenues from adding 10 additional staff at the Department of Taxation and (2) $89.0 million in tax relief detailed below:

Increased Tax Relief (2006-08 Biennium, $ in millions)	
Move date of conformity with federal tax law to December 2005	$5.7
3-day Sales Tax Holiday	5.1
Expand Refundable Feature of Coal Tax Credit	29.0
Neighborhood Assistance Cap raised to $12 million	4.0
Tax Credit for Long Term Care Insurance	10.2
Eliminate Estate Tax for Deaths after January 1, 2007	35.0*
Total	**$89.0**

*$120.0 million/year in future years

Transfers

Transfers to the general fund increase total available resources by $1.58 billion. Of this amount, $853.1 million represents the transfer of lottery profits estimated at $427.0 million in the first year and $426.1 million in the second year (a projected reduction related to initiation of a North Carolina lottery), and $468.5 million from the 1/4th cent sales tax that is transferred from the Local Real Estate/SOQ Fund for public education.

Other customary transfers include ABC profits of $56.4 million for the biennium, with an additional $64.1 million in the first year and $65.4 million in the second year of ABC profits and $9.9 million per year of wine tax profits going to the Department of MHMRSAS for substance abuse programs.

The adopted budget reduces general fund reliance on (1) targeted NGF savings, (2) uninsured motorist fees, (3) ABC across-the-board reductions, (4) additional funding from $4 for life, and (5) vital records fee increase, over the course of the biennium, by transferring 50 percent of the identified amounts to the general fund in the first year and eliminating the transfer altogether in the second year. Transfers would be reduced by $13.5 million in the first year and $26.5 million in the second year from this action.

Uninsured motorist fees of $3.2 million in the first year and $6.4 million in the second year, no longer transferred to the general fund, would be diverted to DMV for computer system upgrades, rather than remaining with the State Corporation Commission.

The adopted budget assumes the continued transfer to the general fund of $10.0 million per year from DMV VIPNet fees.

Transfers in 2006-08 Biennial Budget

Lottery Profits	$853.1
1/4 cent Sales Tax - Local Real Estate/SOQ Fund	468.5
ABC/Wine to Dept. MHMRSAS for Substance Abuse	149.2
ABC Profits	56.4
Un-refunded Marine Fuels Tax	14.8
Sales Tax Compliance & Indirect Cost Recoveries	32.3
Court Debt Collections	3.9
Targeted NGF Reductions	4.1
ABC Across-the-Board Reductions	1.3
VITA Savings	6.9
IDEA Funds	11.0
Uninsured Motorist Fees	3.2
Transfer Sales Tax to Game Protection Fund	(33.1)
Transfer to Children's Health Program	(28.1)
Sale of ABC building, Alexandria	15.0
Miscellaneous Other	7.0
Continue to Transfer DMV VIPNet Fees	20.0
Total	**$1,585.5**

Legislative

The budget for the Legislative Department, as adopted for the 2006-08 biennium, adds $4.8 million GF. This represents an increase of 4.2 percent for the two-year period when compared to the adjusted appropriation for current operations. Accordingly, the total amounts recommended for the Legislative Department for the 2006-08 biennium are $119.3 million GF and $6.6 million NGF.

- **General Assembly of Virginia**

  - *Legislative Per Diems.* Provides $0.2 million GF each year to increase the allowance for expenses for Members of the General Assembly and legislative assistants, consistent with the maximum daily amount permitted by the Internal Revenue Service.

  - *Senate Clerk's Expenses.* Includes $344,932 GF the first year and $244,932 GF the second year, and four positions, for the Office of the Clerk of the Senate.

- **Division of Capitol Police**

  - *Additional Positions.* Provides $653,285 GF the first year and $726,050 GF the second year, for 13 additional sworn officers and one secretary, contingent upon approval of a plan by the Joint Rules Committee.

  - *Career Development Plan.* Provides $71,295 GF the first year and $160,735 GF the second year to create a new salary classification for Patrol Officer II, to provide a new intermediate step between the entry level position and the first ranked position. This funding is contingent upon approval of a plan by the Joint Rules Committee.

- **Division of Legislative Services**

  - *Attorney Pay Plan.* Includes $135,627 GF each year for the career development plan for the Division of Legislative Services, as well as the Joint Commission on Technology and Science and the Virginia Freedom of Information Advisory Council.

Judicial

The 2006-08 budget, as adopted, includes a total of $696.5 million GF and $46.9 million NGF for the Judicial Department. For the general fund, this provides a net increase of $43.3 million (or 6.6 percent) for the biennium when compared to the adjusted appropriation for current operations. For nongeneral funds, the adopted budget includes additional funding of $17.1 million for an increase of 57.3 percent for the biennium.

The adopted budget includes an additional $19.4 million GF for the Criminal Fund, plus $6.3 million to raise attorney fees to the statutory caps for representation of criminal indigent defendants. In addition, the proposed budget includes $4.3 million for the Indigent Defense Commission for 32 new public defenders and support staff to reduce caseloads. An additional $5.0 million is recommended to replace nongeneral funds that are no longer available to support 14 existing drug court programs.

The adopted budget for the General District Courts includes $1.7 million GF for the Involuntary Mental Commitment Fund. This represents the required addition for that portion of the fund which is expended by the Judicial Department. The remainder of this fund is expended by the Department of Medical Assistance Services (DMAS).

- **Supreme Court of Virginia**

  - *Technical Assistance.* Includes $411,215 GF the first year and $436,215 GF the second year and six positions for technical assistance to judges, clerks and magistrates.

  - *Magistrate Study.* Includes $250,000 GF the first year for a consultant study of manpower needs for the magistrate system. Language is included which requires a report by December 1, 2006.

  - *Courts Technology Fund.* Provides $6.2 million NGF the first year and $8.2 million NGF the second year to modernize the judicial system's technology infrastructure. The source of the nongeneral funds increased filing fees and certain other fee increases as provided in Chapters 623 and 718 of the 2006 Session.

  - *Spanish Language Training.* Includes $19,500 GF the first year and $117,000 GF the second year from the general fund for a pilot program to provide on-site Spanish language courses for court employees.

  - *Substitute GF Support for 14 Drug Courts.* Provides $2.5 million GF each year to replace nongeneral funds with general funds for 14 drug courts which have previously been supported through a federal Byrne grant earmark and drug

assessment fees. These nongeneral funds are no longer available. Currently, there are 28 drug courts in Virginia, (including 14 which have received NGF support from the state through drug assessment fees and the federal earmark, and 14 others which have not received these nongeneral funds).

- *Judicial Expenses.* Includes $56,000 GF each year for expenses not otherwise reimbursed for the Chief and Associate Justices of the Supreme Court of Virginia. Language is included raising the cap on these expenses from $6,500 to $13,500.

- **Court of Appeals of Virginia**

  - *Salary Supplement.* Includes $3,336 GF each year to increase the additional salary payment for the Chief Judge by $2,000, plus associated costs in benefits. This increases the Chief Judge's salary to $3,000 more than the salaries of the other judges on the Court of Appeals, pursuant to Chapter 218 of the 2006 Session.

- **Circuit Courts**

  - *New Judgeship.* Includes $0.2 million GF each year to establish one new judgeship for the Third Circuit in the City of Portsmouth pursuant to Chapters 35 and 738 of the 2006 Session.

  - *Criminal Fund.* Includes $11.8 million GF the first year and $13.1 million GF the second year to support the Criminal Fund. These additional amounts include $2.5 million the first year and $3.8 million the second year to increase compensation for court-appointed counsel to the statutory caps.

  - *Criminal Fund – Sexually Violent Predators.* Adds $440,000 GF each year for independent evaluations and court testimony in cases involving sexually violent predators.

- **General District Courts**

  - *New Judgeships.* Includes $0.6 million GF each year to establish three new judgeships for the 19th, 20th and 27th Districts, pursuant to Chapters 34 and 488 of the 2006 Session.

  - *New Positions.* Includes $1.0 million GF each year for 25 new positions for the clerks of the district courts.

  - *Involuntary Mental Commitment Fund.* Provides $439,876 GF each year for increased costs to the fund, including $50,000 each year for compensation of expert witnesses, pursuant to Chapter 170 of the 2006 Session. The fund is expected to spend $5.0 million in FY 2006, $5.35 million in 2007, and $5.65 million

in 2008. With these additional funds, the appropriation is level-funded at $5.35 million in FY 2007 and 2008.

- **Juvenile and Domestic Relations District Courts**

  - *New Judgeships.* Includes $0.8 million GF each year to establish four new judgeships for the 7th, 14th, 19th and 26th Districts, pursuant to Chapters 34 and 488 of the 2006 Session.

  - *Guardians ad Litem.* Includes language clarifying legislative intent regarding payments by the court, in cases where a party with a legitimate interest has filed a petition, to shift the cost of the Guardian ad Litem to the party initiating the case.

- **Board of Bar Examiners**

  - *Additional Position.* Increases the agency nongeneral fund appropriation by $60,910 GF each year to reflect agency expenditures for one position added by the board in 2005

  - *Per Diems.* Increases the agency nongeneral fund appropriation by $14,330 GF each year to cover the cost of per diem payments for travel by board members. The per diem rate was raised by the Supreme Court in 2005.

  - *Multi-State Bar Examination.* Increases the agency nongeneral fund appropriation by $5,814 GF each year to account for the increase in the fee (from $45 to $48) for the multi-state bar examination. The fee increase will be effective in July 2006.

- **Indigent Defense Commission**

  - *Public Defender Staffing.* Includes $2.2 million GF the first year and $2.1 million GF the second year and 32 positions for additional public defenders and support staff to reduce the number of cases per attorney.

- **Virginia Criminal Sentencing Commission**

  - *Additional Publication Costs.* Provides $35,000 NGF each year to account for increased printing and distribution costs for additional copies of the sentencing guidelines manual.

- **Virginia State Bar**

  - *Compensation Plan.* Increases the nongeneral fund appropriation by $39,016 GF the first year and $91,538 GF the second year to reflect salary actions previously

taken, consistent with the compensation plan as adopted by the Council of the Virginia State Bar.

- ***Other Compensation Actions.*** Increases the agency nongeneral fund appropriation by $120,650 each year to reflect additional salary actions for certain positions in highly competitive fields, including information technology and certain legal specialties.

- ***Nonpersonal Services.*** Increases the nongeneral fund appropriation by $387,635 GF the first year and $447,385 GF the second year to reflect actual expenditures for contracts, supplies, transfer payments, and continuous charges, including rent.

- ***Professional Regulation Staff.*** Increases the nongeneral fund appropriation by $185,698 GF and 2.8 positions each year to regulate the legal profession in Virginia.

- ***Outside Attorney Services.*** Increases the nongeneral fund appropriation by $79,550 GF the first year and $89,550 GF the second year to reflect current expenditures for outside attorney services.

- ***Facilities and Procurement.*** Increases the nongeneral fund appropriation by $24,010 GF and 0.6 positions each year to provide administrative support for facilities and procurement in the Richmond and Alexandria offices.

- ***Public Information.*** Increases the nongeneral fund appropriation by $28,812 GF and 0.6 positions each year to assist the public information coordinator in reporting bar activities and other substantive developments in the law that are published in the "Virginia Lawyer" magazine and in the general news media.

- ***Special Projects.*** Increases the nongeneral fund appropriation by $132,500 GF each year for new initiatives of the Chief Justice of the Supreme Court of Virginia, including: Indigent Criminal Defense Training; Virginia Lawyers Helping Families; Programs for Solo and Rural Lawyers; and, the Conference on Reforming the Involuntary Mental Commitment Process. These funds are intended to support meetings and conferences, including expenses for speakers, printed materials, and hotel meeting rooms, but not to add additional staff.

- ***Clients' Protection Fund.*** Increases the nongeneral fund balance in the fund by $250,000 GF each year. The fund was established in 1976 to make monetary awards to persons who have suffered financial losses as a result of dishonest conduct by Virginia lawyers.

- ***Legal Aid.*** Provides $250,000 GF the first year for the Legal Services Corporation of Virginia to support legal aid programs for the indigent in civil cases.

Executive Offices

The adopted budget for the 2006-08 biennium includes a total of $68.6 million in general fund (GF) and $24.7 million in nongeneral fund (NGF) spending for Statewide Executive Offices. This includes a biennial increase of $19.2 million GF (38.8 percent), and $1.4 million NGF (6.1 percent) when compared to the adjusted appropriation for current operations.

The most significant increase in spending is for the creation of a new Enterprise Applications Public-Private Partnership Project Office. $11.0 million GF is appropriated for the biennium to oversee the modernization of the Commonwealth's business information systems.

The adopted budget also transfers the Virginia Liaison Office to the the Office of the Governor, adds 34 positions to address workload concerns in the Office of the Attorney General, and consolidates the tobacco enforcement unit for the Master Settlement Agreement within the Attorney General's office. Previously, enforcement of the Master Settlement Agreement had been divided between the Department of Taxation and the Office of the Attorney General.

- **Office of the Governor**
  - *Virginia Liaison Office.* Adds $307,647 GF and $119,837 NGF and four positions each year to reflect the transfer of the Virginia Liaison Office to the Office of the Governor. Previously, the Virginia Liaison Office was a free-standing agency within the Executive Offices.
  - *Office of Commonwealth Preparedness.* Provides $1.1 million GF and nine positions each year to offset expired federal grants and to provide additional staffing for the performance of the office's responsibilities.
- **Office of the Attorney General**
  - *Pay Increase for Attorneys.* Provides $135,068 GF and $45,022 NGF each year for a salary increase of $1,000 for each attorney.
  - *Additional GF Positions.* Provides $2.0 million GF each year and 27 positions to hire additional attorneys and support staff to address increasing needs for legal advice by state agencies and additional responsibilities such as the civil commitment of sexually violent predators.
  - *Additional NGF Positions.* Includes $658,809 NGF the first year, $588,809 NGF the second year, and seven positions. The positions include an attorney; two paralegals; an accountant; a grants manager; and two other specialized positions.

- *Nonpersonal Services.* Includes $250,000 GF each year for nonpersonal services such as staff training and case management and billing systems development.

- *Tobacco Enforcement.* Transfers $317,187 GF the first year and $339,923 GF the second year and four positions from the Department of Taxation to the Office of the Attorney General for the enforcement of the Tobacco Master Settlement Agreement. This transfer consolidates the resources of the two agencies to achieve a higher level of services.

  Currently, the general fund is reimbursed for the cost of these enforcement activities on a proportional basis from the Tobacco Indemnification and Community Revitalization Fund (50 percent) and the Virginia Tobacco Settlement Fund (10 percent). These reimbursements are captured through a Part 3 Transfer.

- *Division of Debt Collection - Workload.* Provides $52,490 NGF the first year and $51,358 NGF the second year and one position to improve the processing of debt collection receipts and the distribution of those receipts to state agencies. The growth in receipts processing exceeds the capacity of the current fiscal officer to complete this work in a timely manner.

- *Division of Debt Collections – Retention of Balances.* Language is included to clarify that the division may retain up to 30 percent of collections to pay operating costs; however, the retained year-end balances may not exceed $400,000.

- **Enterprise Applications Public-Private Partnership Project Office**

  - *Information Systems Modernization.* Provides $5.5 million GF each year for the creation of project office to oversee the modernization of the Commonwealth's major business information systems. The systems to be modernized will include the Commonwealth's accounting, budgeting, travel, and human resources information systems.

- **Interstate Organization Contributions**

  - *Increased Subscription Charges.* Includes $6,100 GF each year to account for increases in the subscription charges for the Federal Funds Information System (FFIS), a national information service providing comprehensive data on all federal funds coming into Virginia.

Administration

The adopted budget for the 2006-08 biennium includes a total of $1.3 billion in general fund (GF) spending and $452.2 million in nongeneral fund (NGF) spending for the Administration secretariat. This includes net increases of $43.8 million GF, or 2.8 percent and $17.9 million NGF for the biennium, when compared to the adjusted appropriations for current operations.

Major spending items include: $9.8 million GF for additional Commonwealth's Attorney staffing, $6.0 million GF for additional staffing for other constitutional officers, $4.9 million GF to provide staffing for new or expanded jail facilities, $2.5 million GF to maintain the 1:1,500 law enforcement officer ratio, $1.6 million GF in technology enhancements for the Department of General Services, and $476,000 GF for the Statewide Automated Victim Notification (SAVIN) system and the Virginia Sex Offender Registry. The adopted budget also includes $1.4 million GF for additional staffing within the Department of Veterans Services to improve benefit claims processing, $2.5 million NGF to increase the number of nurses and housekeepers at the Virginia Veterans Care Center in Salem, and $12.2 million NGF to staff the new Sitter-Barfoot Veterans Care Center, which will begin operations in Richmond during fiscal year 2007.

- **Secretary of Administration**

  - ***Allegheny Mountain Radio.*** Provides $20,000 GF each year to support Allegheny Mountain Radio.

- **Compensation Board**

  - ***Provide Additional Deputies to Maintain One Deputy per 1,500 Residents Law Enforcement Ratio.*** Includes $1.2 million GF the first year and $1.3 million GF the second year to add 40 new law enforcement deputies in eight counties: Fauquier, Frederick, Hanover, Loudoun, Montgomery, Spotsylvania, and Stafford.

  - ***Provide Funding for Staffing in New Jails.*** Includes an additional $2.0 million GF the first year and $2.9 million GF the second year to support a new jail and two jail expansion projects coming on-line during the biennium. These projects include the construction of the Eastern Shore Regional Jail and the expansion of the Northwestern Regional Jail, serving Clarke County and the cities of Fredericksburg and Winchester.

  - ***Purchase Public Safety Equipment.*** Provides $761,496 GF the first year for mug shot data enhancements to the existing live scan equipment in many sheriff's and

regional jail offices and to provide new live scan equipment, including the mug shot enhancements, for those offices currently without the equipment.

- ***Per Diem Payments to Local and Regional Jails.*** Provides $285,804 GF each year to reimburse localities for housing inmates in local and regional jails. The amount provided for these payments is calculated by formulas in the Appropriation Act and actual inmate population counts through the first quarter of fiscal year 2006.

- ***Sheriffs' Career Development Program.*** Provides $324,974 GF each year to continue the career development programs created by the General Assembly for sheriffs and deputy sheriffs. This program provides salary increases for sheriffs and deputies who meet the program's performance and continuing education requirements.

- ***Federal Inmate Overhead Recovery Charge.*** Provides $186,198 GF each year to encourage certain regional jails to expand their membership or otherwise house inmates from one or more additional jurisdictions. The incentive for housing additional inmates is a 25 percent reduction in federal inmate overhead recoveries until June 30, 2008.

- ***Additional Constitutional Officer Staffing.*** Includes $2.6 million GF the first year and $3.4 million GF the second year to augment staffing for local constitutional officers. Funding for positions is provided to increase the number of deputies performing courtroom security functions and to increase staffing for circuit court clerks, treasurers, directors of finance, and commissioners of the revenue.

Additional Staffing for Constitutional Officers
($ in millions)

Proposed Initiatives	FY 2007	FY 2008
Court Services Staffing (26)	$0.5	$0.8
Staffing for circuit court clerks (64)	1.0	1.5
Staffing for local treasurers (64)	0.5	0.7
Staffing for directors of finance (29)	0.2	0.3
Staffing for commissioners of the revenue (55)	0.4	0.6
Total for Constitutional Officer Staffing Increases	**$2.6**	**$3.9**

Total additional positions for the biennium are listed in parentheses.

- *Commonwealth's Attorneys Staffing.* Provides $4.9 million GF the first year and $4.9 million GF the second year to fund 133 additional positions for Commonwealth's attorneys. The 133 positions include 68 attorney and 65 support positions.

- *Annualize December 25, 2005 Salary Increase.* Includes $2.7 million each year from the general fund to fully annualize previously approved salary increases for sheriffs, regional jail personnel, Commonwealth's attorneys, directors of finance, and commissioners of the revenue.

- *Jail Inmate Population Forecast Position.* Provides $83,033 GF the first year, and $81,993 GF the second year, and 1.00 position to support the jail inmate population forecasting process.

- *Statewide Automated Victim Notification (SAVIN).* Provides $260,000 GF the first year and $216,000 GF the second year to implement an interface between the Statewide Automated Victim Notification (SAVIN) system and the Virginia Sex Offender Registry.

- *Group Life Insurance Savings.* Captures savings of $212,603 GF each year from constitutional officers to reflect a reduction in the employer contribution rates for the Virginia Retirement System Group Life Insurance Program.

- *Constitutional Officer Succession.* Language is included requiring that constitutional officers provide any duly elected successor with access to the incumbent officer's work place, files, records, and computer network.

- *Clarification on Reimbursement of Withheld Funding.* Language is included to permit the withholding of funding to localities that do not provide accurate or updated criminal activity data to the Department of State Police. The language further states the funding will only be provided upon satisfactory correction of any data error or omission within the same fiscal year in which the funding was withheld.

- **Department of Employee Dispute Resolution**

  - *Fund Dispute Resolution Consultant.* Includes $46,654 GF the first year and $50,894 GF the second year to provide for one-half of the salary and fringe benefits costs associated with a dispute resolution consultant position. In 2001, three dispute resolution consultant positions were created to be supported by nongeneral fund revenue from agency charges for training. Due to budget reductions, the agency has not filled these positions. The other two positions remain entirely supported by nongeneral funds.

- *Replace Aging Computers.* Provides $25,000 GF the first year to replace the agency's computers, which are now past warranty and can no longer support agency software packages.

- **Department of General Services**

  - *Additional Support for Real Estate Division.* Adds $56,483 GF the first year and two positions and $61,619 GF the second year to augment the agency's existing real estate staff. The additional positions, which will be supported in part by surcharges imposed on real estate contracts, will reduce the time needed to review real estate transactions, which in some cases has exceeded six months.

  - *Salary Increase for Consolidated Laboratory Technical Staff.* Includes $96,406 GF the first year and $144,609 GF the second year to provide a salary increase for certain scientists, technicians, and specialists employed by the Division of Consolidated Laboratory Services. This support equals an adjustment of about $2,100 for each of 120 staff whose salaries were found by the Department of Human Resource Management to be below the market average for similar positions.

  - *Consolidate Small Agency Mail Operations.* Includes $144,592 GF and three positions the first year and $189,030 GF the second year to establish a centralized mail operation for agencies within the Capitol Square complex. The funding includes the purchase and maintenance of equipment for the inspection of incoming mail.

  - *Laboratory Supplies and Materials.* Provides $180,000 GF each year to purchase additional supplies and materials for the agency's Division of Consolidated Laboratory Services. The division's workload has increased by 12 percent during the past four years, meaning that supplies and materials are being used more quickly than in the past.

  - *Provide Training and Support for Procurement Initiatives.* Adds $191,840 GF and two positions the first year and $205,124 GF and $22,792 NGF the second year to provide training for state agencies, institutions of higher education, and local government procurement personnel in the Commonwealth's electronic procurement system and spend management programs.

  - *Virginia War Memorial Operations Support.* Provides $283,210 GF and one position the first year and $38,186 GF the second year to hire an administrative support position, pay for new signage, install security cameras, purchase of new computers, and provide a share of the costs for developing a new film called "Into Battle." The remainder of the film's cost will be paid by the Virginia War Memorial Foundation.

- *Facility Inventory Condition and Assessment System (FICAS).* Includes $330,231 GF and two positions the first year and $311,004 GF the second year and $516,516 NGF the first year and $486,442 NGF the second year to maintain a new building maintenance database that will be transferred to the agency from the Auditor of Public Accounts. This database contains information on all of the state's buildings, including structural issues, mechanical system conditions, and life safety needs. The database will be used to develop maintenance projections, cost estimates, and evaluations of the need for building replacement.

- *Information Technology Enhancements.* Includes $1.1 million GF and three positions the first year and $557,110 GF and $368,707 NGF the second year to upgrade three agency computer systems. The funding will be used to purchase a real estate portfolio management system, to upgrade the laboratory services systems used by the Division of Consolidated Laboratory Services, and to install better information security software for use by the entire agency. The new information security software is required by the Virginia Information Technologies Agency (VITA).

- *Funding for Consolidation of Leased Office Space.* Includes language establishing an internal service fund for the consolidation and management of the Commonwealth's real estate services. Unlike the previous real estate services internal service fund, this new fund makes no provisions for balance transfers to the general fund. The agency is to report on the implementation of this program to the Governor and Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2006.

- *Electronic Procurement System.* Includes language authorizing the use of agency surcharges in addition to vendor charges to pay for the continued maintenance and development of the Commonwealth's statewide electronic procurement system.

- **Department of Human Resource Management**

  - *Staffing for Equal Opportunity Employment Compliance.* Includes $75,777 GF and one position the first year and $67,777 GF the second year to reduce a backlog in on-site compliance reviews.

  - *Staffing for Health Insurance Services.* Adds $78,444 NGF and one position the first year and $73,780 NGF the second year to provide additional support for the agency's Office of Health Benefits. The office workload has increased due to reporting requirements, an increase in the number of vendors used by the state employee and Local Choice health programs, and an expansion in the benefits offered by the office. The source of nongeneral fund revenue is health insurance premiums.

- *Replace Customer Service Tracking System.* Provides $70,000 NGF the first year and $10,000 NGF the second year to purchase and install a new customer service tracking and documentation system for the Office of Health Benefits. The office's existing system is obsolete and cannot be upgraded. The source of nongeneral fund revenue is health insurance premiums.

- *Establish Workers Compensation Return-to-Work Unit.* Provides $262,665 NGF and three positions the first year and $262,665 NGF the second year to create a unit dedicated to identifying those workers' compensation claims where early intervention will more quickly result in return to work. The source of nongeneral fund revenue is the workers compensation premiums paid by state agencies.

- *Reflect Increased Cost of Local Choice Health Program.* Provides an additional $30.0 million NGF each year for the payment of claims on behalf of the local governments and local employees enrolled in the Local Choice health insurance program. The cost of the program is increasing to reflect rising costs of health care costs and insurance premiums.

- *Evaluation Process for Supervisors.* Includes language requiring the department to establish a pilot program for the use of upward feedback as a part of the evaluation process for state agency supervisors.

- **Department of Veterans' Services**

  - *Increase Staffing for Veterans Care Center in Salem.* Includes $1.2 million NGF and 30 positions the first year and $1.4 million NGF the second year to provide additional nursing and housekeeping positions. The funding will be used to hire additional full-time staff, particularly nurses, in order to reduce the number of temporary staff needed. The source of the nongeneral fund revenue includes payments from the U.S. Department of Veterans Affairs, Medicaid and Medicare payments, and payments by third-party insurers.

  - *Sitter-Barfoot Veterans Care Center.* Provides $787,100 NGF and 50 positions the first year and $11.4 million NGF and 233 positions the second year for the operations of the Sitter Barfoot Veterans Care Center, which is scheduled to open in Richmond during fiscal year 2007. Language is included to authorize the State Comptroller to approve an anticipatory loan for the center's operating costs pending reimbursement from federal and other nongeneral fund sources.

  - *Additional Educational Services Staff.* Adds $139,744 GF and two positions the first year and $134,744 GF the second year to promote the marketing of veterans benefits and to increase the number of approved courses for which veterans may

use their federal education funds. The source of the nongeneral fund revenue is payments from the U.S. Department of Veterans Services.

- *Cemetery Staffing and Equipment.* Includes $133,643 GF, $82,884 NGF, and five positions the first year and $169,072 GF, $82,884 NGF, and two additional positions the second year to provide additional equipment and to augment the maintenance and operations of Virginia's two veterans cemeteries. Of the total amount, $70,000 and two positions the first year and $10,400 the second year will be used for the maintenance of the Virginia Veterans Cemetery in Amelia. The remainder will be used to maintain and operate the Albert G. Horton, Jr. Memorial Veterans Cemetery in Suffolk.

- *Additional Staff for Veteran Benefit Services.* Provides $578,611 GF and seven positions the first year and $820,288 GF and 13 additional positions the second year. Staffing is provided for processors to expedite claims for veterans' benefits, to open a new field office in Loudoun County, and to initiate a "benefits awareness" marketing campaign at the U.S. Veterans Administration hospitals in Hampton and Salem.

- *Refurbish Field Offices.* Provides $65,000 GF the first year and $45,000 GF the second year to refurbish four field offices each year. The offices that would be affected by this amendment the first year include: Bristol, Front Royal, Tidewater, and Wytheville. In the second year, the following offices would be refurbished: Big Stone Gap, Hampton, Lynchburg, and South Hill.

- *New Financial Management System.* Provides $463,800 NGF the first year and $111,690 NGF the second year to implement a new financial management system. The nongeneral fund revenue for this amendment will be derived from Medicare, Medicaid, third party insurance payments, and private payments for individuals at the Veterans Care Centers.

- *Veterans Cemeteries Validity Study.* Language is included that directs the agency to examine the need for new veterans cemeteries. This study will examine the services currently provided by state and federal veterans' cemeteries, what additional services might be necessary, and the costs associated with any identified needs. The study is due to the Governor and General Assembly by November 1, 2006.

- **Human Rights Council**

  - *Relocate Agency Office Space.* Includes $22,500 GF the first year and $20,000 GF the second year to relocate the agency from space provided by the Office of the Attorney General to a larger state-owned office space.

- *Provide Additional Investigators to Address Workload.* Provides $84,253 GF and two positions the first year and $91,915 GF the second year to address investigation and mediation workload issues for cases alleging discrimination in employment, housing, other places of public accommodation, and education.

- **State Board of Elections**

  - *Staffing for Virginia Elections and Registration Information System (VERIS).* Provides two positions the first year to ensure that technical support and maintenance of VERIS is available when this system becomes fully operational on January 1, 2006. The agency will use existing funds to support the costs of the two positions.

  - *Constitutional Amendments.* Provides $332,000 GF the first year for expenses related to a referendum on three constitutional amendments, as provided for in Chapters 68, 72, 173, and 828 of the Acts of Assembly of 2006.

Agriculture and Forestry

The 2006-08 budget for Agriculture and Forestry includes $96.4 million GF and $71.3 million NGF. This is $10.0 million GF and $143,258 NGF greater than the adjusted appropriation for current operations.

Almost half of the general fund increase is for the Secretary of Agriculture and Forestry on behalf of the Virginia Horse Center Foundation. Concerning the Department of Forestry, $1.2 million GF is appropriated to replace firefighting equipment and $1.3 million GF to fill eight unfunded forester positions for enforcing federal and state water quality laws.

- **Secretary of Agriculture and Forestry**

  - *Virginia Horse Center Foundation.* Provides $4.5 million GF the first year to secure a loan from the U.S. Department of Agriculture to pay off the Foundation's outstanding debt. Budget language requires the Secretaries of Agriculture and Forestry and Finance to develop a plan for the Governor's approval to implement the requirements of the federal loan. Budget language also authorizes the Foundation to convey its property as may be necessary to fulfill the loan requirements. If the plan is not approved by the Governor, then the appropriation is reduced to $1.3 million GF to offset debt service payments in FY 2007.

- **Department of Agriculture and Consumer Services**

  - *Hydrilla.* Appropriates $300,000 GF the first year to support the eradication of Hydrilla on Lake Gaston, the Potomac River and other state bodies of water.

  - *Marketing Efforts and Commodities Survey.* Provides an additional $50,000 GF from the general fund to support the Department's marketing efforts and $25,000 GF from the general fund to cover the full cost of the Virginia Rotational Agricultural Statistics Survey Program.

  - *Dangerous Dog Register.* Provides $200,147 GF and $26,750 NGF the first year and $78,302 GF and $56,500 NGF the second year and one full-time position to implement Chapters 837 and 898 as enacted by the 2006 Session of the General Assembly.

  - *Office of Farmland Preservation.* Includes $225,000 GF the first year and $80,000 GF the second year and one full-time position for the Office of Farmland Preservation. The position will work with localities to plan and implement local purchase of development rights programs to preserve agricultural lands.

- *Coyote Damage Control Program.* Reduces by $35,000 GF in each year of the biennium the amount of state dollars for the cooperative control program. The amendment is a technical correction to the department's base budget. The remaining state dollars of $60,000 each year are sufficient to match the annual federal grant of $75,000. Budget language requires the level of service provided to Southwest Virginia in FY 2006 be continued in the new biennium.

- *Prepaid Legal Services Plan Regulation.* Provides $451,050 NGF in each year for the regulatory program. In the 2004 Session, the General Assembly passed HB 363 to establish requirements for the registration of legal services plan sellers, authorize the Agriculture Board to prescribe regulations, and authorize the agency to investigate violations.

- *Salary Adjustment for Veterinarians.* Provides $103,118 GF and $30,004 NGF the first year and $103,118 GF and $30,004 NGF the second year to increase the salaries of the department's 21 veterinarians. The budget amendment increases the salaries to the statewide median salary for veterinarians.

- *Animal Health.* Includes $185,439 GF the first year and $176,288 GF the second year and three full-time positions to protect the health of poultry and livestock animals. One livestock inspector will be added in each of the Harrisonburg, Lynchburg and Wytheville regions.

- *Small Scale Agribusiness.* Provides $88,358 GF each year to assist farmers and small agribusiness specializing in the production of higher valued products, including products certified under the National Organic Program, for customized, niche markets.

- *Weights and Measures.* Provides $98,238 GF the first year and $101,896 GF the second year and two full-time positions for the Weights and Measures Inspection Program. The number of businesses using devices regulated by the program increased by 35 percent over a 10-year period (79,092 in 1993 to 106,755 in 2003).

- *Specialty Crops.* Includes in the department's base budget an amount of $325,000 GF in each year for additional research and field tests of specialty crops and for developing and marketing high-value specialty agricultural products. The General Assembly approved these items in the 2005 Session as part of the Governor's Virginia Works package.

- *Information Technology.* Includes $150,000 GF the first year to reduce the number of computer applications still running on an obsolete mainframe computer. These applications can be re-engineered for the Internet, resulting in greater customer access and reduced costs for the state.

- *Indemnity Payments.* Budget language in the Central Appropriations portion of Chapter 3 authorizes the Governor to expend up to $1.5 million from the unappropriated general fund balance, under certain conditions, for payments to growers, producers, and owners for losses sustained as a result of an infectious disease outbreak in livestock and poultry populations.

- **Department of Forestry**

  - *Firefighting Equipment.* Includes $579,629 GF each year to purchase firefighting equipment through the state's master equipment lease purchase program. Total cost for the equipment will be $2.7 million.

  - *Water Quality Team.* Provides $767,544 GF the first year and $520,459 GF the second year to fill eight unfunded forester positions to address enforcement of federal and state water quality laws.

  - *Reforestation of Timberland Program.* Provides an additional $350,493 GF the first year and $467,324 GF the second year. Coupled with the amounts in the base budget, $1.1 million GF and $1.2 million GF will be available in FY 2007 and FY 2008, respectively, to match the proceeds raised by the forest products tax for reforestation efforts. This ensures that the state's fulfills its commitment to fully match industry contributions in the second year of the biennium.

Commerce and Trade

The 2006-08 appropriation for Commerce and Trade includes $223.0 million GF and $1,463.9 million NGF, an increase of $27.3 million GF and $120.3 million NGF above the adjusted appropriation for current operations.

Approximately $12.7 million GF is provided to the Department of Housing and Community Development for a variety of initiatives, including $4.8 million for drinking water and wastewater projects in Southwest Virginia, $2.6 million to expand rural access to broadband technology, and $1.0 million for the Enterprise Zone Program. An additional $4.1 million GF is appropriated for the Virginia Tourism Authority with $1.75 million designated for advertising and marketing the Jamestown 2007 Commemoration.

The largest economic development initiatives are in the Central Accounts portion of the budget. The General Assembly provides general fund support for the Governor's Development Opportunity Fund of $15.1 million for the biennium. To implement and respond to the BRAC recommendations, the budget includes $12.5 million GF each year. Additional funding includes $17.6 million GF the first year and $24.1 million GF the second year for a variety of business incentives to carry out the provisions of the Virginia Investment Partnership Act, the semiconductor manufacturing incentive grants legislation, and the Governor's Motion Picture Opportunity Fund. Budget language authorizes the Governor to use unappropriated general fund balances of up to $1.5 million to provide indemnity payments to owners of poultry and livestock.

- **Secretary of Commerce and Trade**

  - *DMBE Performance Report.* Adds language requiring the Secretary to report by November 1, 2006 on the management, operation and administration of the Department of Minority Business Enterprise.

- **Department of Business Assistance**

  - *Workforce Services.* Adds $250,000 GF each year to the annual base budget amount of $8.2 million. In FY 2005, the department provided customized recruitment and training for over 16,000 employees through 520 projects.

  - *Small Business Procurement.* Provides $97,251 GF the first year and $102,683 GF the second year and one-full time position for the department's "Selling to the State" initiative. The department will assist over 5,000 businesses through the state certification and eVa registration to compete for state government contracts.

  - *Virginia Business Information Center (VBIC).* Provides $75,000 GF the first year to update the center's technology -- $25,000 for improved telephone equipment,

$25,000 for to enhance the center's website, and $25,000 to increase marketing to entrepreneur markets including Virginians with limited English proficiency.

- *Virginia Small Business Financing Authority.* Provides $1.3 million GF the first year to recapitalize the Authority's financing activities such as the Virginia Capital Access Program.

- **Department of Housing and Community Development**

  - *State Fire Marshal's Office.* Provides $145,000 GF the first year and $30,000 NGF the first year for geographic information systems capability. This is a one-time expenditure.

  - *Housing and Homeless Programs Administration.* Provides $199,585 GF each year to fund three full-time administrative positions. These three positions, along with five other administrative positions, are currently funded with federal dollars such as TANF. The unit administers 10 different programs and 338 grants.

  - *The Crooked Road.* Includes $75,000 GF each year for the Crooked Road, which is a heritage music tourism organization operating in 10 counties, three cities and 11 towns in Southwest Virginia. The funds will pay for a full-time director and related administrative costs.

  - *Regional Research and Development Centers.* Provides $660,000 GF the first year and $1.2 million GF the second year to create industry-focused regional research and development centers in Hopewell and Lynchburg. Under the initiative, Virginia Tech would provide faculty and graduate students to perform specialized research projects in cooperation with researchers from private companies. For example, in Hopewell and Lynchburg, the research would focus on chemicals and nuclear technology, respectively.

  - *Rural Access to Broadband Technology.* Includes $2.1 million GF the first year and $500,000 GF the second year to: (1) expand the broadband network "backbone" running from Southwest Virginia through Southside and Hampton Roads up to and across the Eastern Shore; (2) conduct feasibility studies to determine the most cost-effective means to deliver "last-mile" broadband connections in rural areas; and (3) support the extension of broadband infrastructure from the Crossroads Institute in Galax to locations in the surrounding areas. Budget language also directs VEC to place a local office in the Crossroads Institute facility.

  - *Appomattox River Dredging Project.* Provides $500,000 GF the first year for the city's dredging project. The General Assembly appropriated $500,000 for the project in FY 2006.

- *Virginia Works.* Includes in the department's base budget an amount of $600,000 GF in each year for supporting: (1) a community development financial institution to make loans in distressed areas, (2) increased access to federal New Market tax credits, and (3) regional artisan centers. Budget language allows the carry forward of unexpended appropriations for the regional workforce consortia in Smyth and Washington counties and Halifax and Mecklenburg counties, and for the regional artisan centers in Staunton and Abingdon. The General Assembly approved these items in the 2005 Session as part of the Governor's Virginia Works package.

- *Commonwealth Regional Council.* Appropriates $250,000 GF the first year for regional and economic development efforts, serving the Counties of Amelia, Buckingham, Charlotte, Cumberland, Lunenburg and Prince Edward, and the Town of Farmville.

- *Lake Country Knowledge Center.* Appropriates $125,000 GF the first year for capital costs associated with the development of the Lake Country Knowledge Center, a joint effort of the Southside Planning District Commission and the Lake Country Development Corporation.

- *Enterprise Zone Program.* Provides $1.0 million GF the first year to avoid the pro-ration of incentives for small-qualified and large-qualified businesses and for job grants. In FY 2005, job grants covered 78 percent of eligible costs, and tax credits for small-qualified businesses were prorated at 77 percent.

- *Virginia Water Project.* Adds $100,000 GF each year to support the Virginia Water Project, which works with low-income communities to improve water and wastewater facilities.

- *Drinking & Wastewater Improvement Projects.* Provides $2.4 million GF each year for drinking water and wastewater improvement projects in Southwest Virginia.

• **Department of Labor and Industry**

- *Apprenticeship Program.* Provides $67,825 GF the first year and $66,025 GF the second year and one full-time position to serve as an Assistant Director of the Division of Registered Apprenticeship. The position's duties include researching new industries, establishing working relationships with new public and private entities, and assisting in the administration of the program.

- *Virginia Payment of Wage Act.* Adds $68,275 GF the first year and $66,025 GF the second year and one full-time attorney position in the Labor and Employment Law Division. The Division investigates claims and resolves wage disputes between employers and employees. The Division also enforces the

state's child labor laws, and is authorized by the Office of the Attorney General to represent both wage claimants and the department in civil cases.

- *VOSH Litigation.* Provides $36,450 GF each year and $36,450 NGF each year and one full-time attorney position for the Division of Legal Support. The position would be dedicated to litigation of VOSH contested cases and providing alternative dispute resolution services. The objective is to close out court cases within two years of the opening date. For the period 2002 to 2004, the department averaged 1,279 days to close out court cases.

- **Department of Mines, Minerals and Energy**

  - *Mineral Mining Inspectors.* Adds $246,860 GF the first year and $265,602 GF the second year and three full-time positions to fulfill the requirements of the Virginia Gas and Oil Act. The inspectors provide training and technical assistance to customers, inspect and enforce state laws and regulations, review permit applications, and investigate complaints and accidents. There are 3,876 producing gas and oil wells in Virginia, up from 1,692 producing wells in 1995.

  - *Funding Essential Services.* Provides $991,776 GF each year to support operations and replace equipment in the department's core services. The department currently relies on nongeneral fund cash to supplant general fund reductions.

  - *Energy Savings Contract.* Includes $116,400 GF each year and one full-time position to help agencies identify and carry out energy savings projects. HB 5012 includes an amendment funding this position for the last quarter of FY 2006 at $29,598 GF.

  - *Alternative Fuels Manufacturing Incentive.* Includes $1.0 million GF the first year to capitalize the Biofuels Production Fund, as established under Chapter 652 of the 2006 Acts of Assembly, to encourage the production of alternative fuels in Virginia.

  - *State Energy Plan.* Appropriates $230,000 GF the first year and $80,000 GF the second year and one full-time position to develop the Virginia Energy Plan pursuant to Chapter 939 of the 2006 Acts of Assembly.

- **Department of Minority Business Enterprise**

  - *Special Account.* Eliminates budget language included in the introduced Budget Bill that authorized the agency to transfer unexpended general fund and nongeneral fund balances to a special account not subject to appropriation. The General Assembly's action does not affect the department's activities to increase participation by minority- or female-owned businesses in state procurement.

- **Department of Professional and Occupational Regulation**

  - *Nonpersonal Services Costs.* Adds $1.5 million NGF each year for ongoing cost increases including maintaining licensee records and documentation, renewing licenses, investigating and resolving complaints, disciplinary actions, providing public information, and administrative support. The workload and revenue increases are attributed to the boards of Real Estate Appraisers, Barber/Cosmetology, and Contractors.

  - *Legislative Changes.* Provides $218,070 NGF the first year and $109,775 NGF the second year and two full-time positions to carry out Real Estate Board regulations, pre-licensing education for contractors, and continuing education requirements under the Board for Architects, Professional Engineers, Land Surveyors, Certified Interior Designers and Landscape Architects. The appropriation implements the provisions of Chapters 454, 475, 627, and 783, Acts of Assembly of 2006.

- **Virginia Economic Development Partnership**

  - *Virginia Commission on Military Bases.* Provides $510,000 GF each year to operate the Virginia National Defense Industrial Authority. The Authority coordinates Virginia's response to BRAC-related actions. A companion amendment provides general fund support of $12.5 million each year to assist localities implement those actions.

  - *Virginia Modeling and Simulation Center.* Provides $125,000 GF each year to promote the center.

  - *Motor Sports Recruitment.* Includes $125,000 GF each year to attract motor sports-related businesses to Virginia.

  - *Virginia Commercial Space Flight Authority.* Continues general fund support for the Authority at $100,000 each year.

  - *Advertising.* Provides $500,000 GF in the first year for television and print media advertising.

  - *Foreign Currency Losses.* Adds general fund support of $200,000 each year to mitigate the effect of the dollar's declining value compared to the Euro, Yen and Won. Since FY 2003, the dollar has lost almost 30 percent of its value, affecting the Partnership's operations in its Frankfurt, Tokyo and Seoul offices.

  - *Developing International Markets* Provides $100,000 GF the first year for market research and direct marketing to create a physical presence in China and

India. The Partnership will work with public and private organizations as part of this effort.

- *Virginia Works.* Continues in the Partnership's base budget $215,000 GF each year to assist small manufacturers with the export of advanced manufacturing products. The General Assembly approved these items in the 2005 Session as part of the Governor's Virginia Works package.

- *New River Valley Center for Excellence.* Provides $1.0 million GF the first year to the Pulaski County Industrial Development Authority, if certain conditions are met, for the state's share of construction and development costs. The center is to be built on the grounds of the Volvo Trucks plant in Dublin.

- *Virginia Advanced Shipbuilding and Carrier Integration Center (VASCIC).* Includes budget language declaring the General Assembly's intent to fulfill the commitment made to support the Center's operating costs as stipulated in § 2.2-2444, Code of Virginia.

- *Korea Sister State.* Includes budget language authorizing the Partnership to provide support to Virginia companies developing business relationships with foreign governmental organizations, including Virginia's sister province of Gyeong-gi, if such support will result in economic benefits for the Commonwealth.

- **Virginia Employment Commission**

  - *Unemployment Benefits.* Increases nongeneral fund support by $12.9 million the first year and by $29.6 million GF the second year for unemployment insurance benefits payments. Additional revenue from the Unemployment Insurance Trust Fund will pay for the increase.

  - *Information Technology.* Provides additional nongeneral fund spending of $30.6 million the first year and $20.5 million GF the second year to replace outdated and unreliable equipment and to rewrite or modify several of the agency's major application systems. Most of the effort will be directed towards modernizing the Unemployment Insurance Benefits System to improve efficiency in processing claims, produce statistical reports, address legislative changes, and provide real-time information. In 2004, the General Assembly appropriated $20.9 million GF for the agency to replace outdated and unreliable equipment and to rewrite or modify several major application systems.

  - *Reed Act Allocations-Job Services.* Provides $3.7 million NGF the first year and $5.7 million NGF the second year to offset federal reductions. The Job Services program provides federally-mandated labor exchange services to businesses and jobseekers.

- *Unemployment Insurance Program.* Includes $4.1 million NGF the first year and $7.6 million NGF the second year to address a shortfall of federal funding for program administration. To make up the loss of federal dollars, the agency will use special funds from the Special Unemployment Compensation Administrative Fund and the Special Reed Act Distribution Fund.

- *VEC Staffing.* Permanently transfers 5.0 full-time positions to the Department of Rehabilitative Services. No dollars are transferred.

- *Workforce Investment Act.* Directs the agency to spend $75,000 NGF the first year for a study on the methodology and data used for calculating the appropriate number of Safety Compliance Officers and Health Compliance Officers to be hired by the Virginia Department of Labor and Industry. The funding source is Workforce Investment Act money.

- *Federal Unemployment Tax Act (FUTA).* Directs the VEC and the Virginia Liaison Office to work with the Virginia's congressional delegation to seek additional administrative dollars for the unemployment insurance program. In FY 2004, less than one-third of the FUTA taxes paid by Virginia employers returned to the Commonwealth.

- **Virginia Racing Commission**

  - *Breeders Fund.* Increases the nongeneral fund appropriation by $180,000 each year to provide financial support to owners and breeders of Virginia-bred racehorses.

  - *License Application System.* Includes $105,704 NGF each year to upgrade the Commission's data management system using the master equipment lease purchase program.

  - *Additional Race Days.* Includes additional nongeneral fund appropriations of $200,000 each year for the agency's operations. The number of race days will increase by 20 days to 100 days per season.

  - *Additional Spending.* Provides additional nongeneral fund appropriation of $201,000 the first year and $251,000 the second year to increase aid to the school of veterinary medicine by $51,000 each year and to the horse industry by $150,000 the first year and $200,000 the second year.

- **Virginia Tourism Authority**

  - *Jamestown 2007 Commemoration.* Adds $1.5 million GF the first year and $500,000 GF the second year for advertising and marketing the statewide commemorative events of the 400th anniversary of the founding of Jamestown in

1607. Combined with base budget resources, total advertising and marketing spending for the Commemoration will be $2.5 million the first year and $1.25 million the second year.

- ***Leveraged Advertising and Marketing.*** Adds $500,000 GF each year from the general fund for a marketing program to leverage state money in partnership with other public and private funds.

- ***Special Projects.*** Continues funding the Tredegar National Civil War Center at $225,000 GF each year and the Coalfield Regional Tourism Authority at $25,000 GF each year. Also, provides $100,000 GF each year for the Virginia Foundation for the Humanities and Public Policy to develop, promote and market the African-American heritage trail and appropriates $50,000 in the first year for a New River Valley tourism marketing and promotions study. Funding for the "See Virginia First" campaign includes $250,000 GF each year for radio and television marketing and $110,000 GF each year for outdoor advertising. Includes $1.7 million GF each year to promote Virginia tourism industries and $425,000 GF each year for grants to regional and local tourism authorities.

- ***Danville Welcome Center.*** Includes budget language providing $100,000 GF each year of vending machine revenues for the maintenance of the facility. The financial assistance is conditioned upon the conveyance of the facility and other property to the Virginia Tourism Authority if certain conditions are met, including the City of Danville's commitment to provide security at the center.

- ***Potomac Gateway Welcome Center.*** Includes budget language to convey the property to the Virginia Tourism Authority if certain conditions are met. To assist in the transition to state-ownership of the facility, $80,000 GF the first year is provided.

- ***Film Promotion.*** Includes $500,000 GF the first year for historically-themed film promotion activities. In the Central Appropriations portion of the budget there is an amendment for $1.3 million GF in the first year for the Governor's Motion Picture Opportunity Fund.

Public Education

The amended adopted 2006-08 budget for Direct Aid to Public Education results in a net increase of $1,502.8 million GF over the biennium.

The biennial increases for Direct Aid to Public Education include $1,316.6 million GF to update the Standards of Quality, Incentive, and Categorical accounts for formula-driven technical updates and the revised fringe benefit rates. The technical updates include projected Average Daily Membership (ADM) enrollment of 17,436 additional students by the second year; increased prevailing salaries and non-personnel costs of education; sales tax and Lottery revenue projections; and updated composite index calculations. (Subsequent to this calculation of re-benchmarking included in the introduced budget, additional adjustments were made to the inflation rates and fringe benefits rates in the second year resulting in a decrease of $33.7 million and an increase of $27.9 million GF, respectively. Also, in the Reconvened Session, the net distribution due to the Lottery proceeds was increased by $6.4 million. Finally, during the Special Session in September, House Bill 5032 amended Chapter 3; the result of which was a zero sum difference net change for school divisions in FY 2007 and a net decrease of $62.8 million in FY 2008 due to issues with the allocation of using corrected sales tax revenues for public education.)

In addition, other increases include: $167.6 million GF for the state's share of a 3.0 percent salary increase for teachers and support positions in the Standards of Quality (SOQ), effective December 1, 2006, plus another $39.7 million for an additional 1.0 percent salary increase for teachers (in addition, $22.0 million GF is in a central accounts reserve towards a second year salary increase); $9.6 million GF to phase-in the cost of competing adjustment for six additional localities impacted by the Northern Virginia regional labor market; and $2.3 million GF to complete a pilot program to attract and retain highly qualified teachers in "hard-to-staff" schools by providing incentives and bonuses.

Other amendments include $20.0 million GF to replace Literary Fund proceeds that will be used for direct loans for school construction projects; $6.6 million GF to increase the per pupil amount for the Virginia Preschool Initiative for at-risk four-year-olds; $1.7 million GF for a technical correction to data related to the "federal revenue deduct"; $800,000 GF for the Career and Vocational Education Center; $600,000 GF for career and vocational equipment purchases; $549,092 GF to support industry certification efforts; $500,000 GF one-time to match a Gates Foundation grant through the Communities in Schools program. Offsetting savings include anticipated participation savings of $1.4 million GF in the teacher mentor and teacher corps program and $560,000 GF in the school breakfast reimbursement program.

For the Department of Education, the adopted budget includes a net decrease of $2.8 million GF over the biennium. This includes $1.3 million GF for an increase in the Education Information Management System (EIMS) contract to improve data collection, analysis, and

reporting to meet No Child Left Behind requirements; $525,875 GF for additional awards to teachers achieving National Board Certification based on revised estimates of the number of teachers who will be eligible; $143,236 GF and two positions to implement the Schools for Students with Disabilities Tax Credit Fund (Neighborhood Assistance Program) and offsetting savings of $5.2 million GF reflecting the lower than anticipated contract amount for standardized testing services.

- **Direct Aid to Public Education**

  – *Biennial Rebenchmarking.*

Summary of Factors Affecting Rebenchmarking Costs

($ in millions)

	FY 2007	FY 2008	Biennial
One-Time Adjustments	**($134.4)**	**($134.4)**	**($268.9)**
Proj. Average Daily Membership (ADM)	41.6	73.0	114.7
Program Level Child Counts	(7.4)	(1.6)	(9.0)
Subtotal of Enrollment-Related Factors			**$105.7**
Funded Instructional Salaries	127.2	128.5	255.8
Funded Fringe Benefit Rates*	82.5	83.4	165.9
Health Care Premiums	68.6	69.2	137.8
Subtotal of Salary & Benefits Factors			**$559.4**
Base Year Expenditures	122.3	121.5	243.8
Transportation	62.0	62.0	123.9
Textbooks	23.0	23.2	46.2
Inflation*	110.7	111.8	222.5
Subtotal of Non-Personnel Cost Factors			**$636.5**
Lottery*	(6.1)	(6.1)	(12.2)
Sales Tax* and Census	81.0	111.8	192.8
Subtotal of Revenue-Related Factors			**$180.7**
Composite Index	20.0	21.3	41.3
Subtotal of Composite Index			**$41.3**
Incentive and Categorical Programs	25.8	36.1	61.9
Subtotal of Programs Linked to SOQ Funding Factors			**$61.9**
Total	**$616.9**	**$699.8**	**$1,316.6**

**This table represents a snapshot of re-benchmarking in the introduced budget. Subsequently additional adjustments were made in the following areas: fringe benefits rate, inflation, lottery, and sales tax.*

- **One-Time Adjustments.** Prior to calculating the costs for 2006-08, certain one-time adjustments were made (the 3.0 percent compensation supplement provided in FY 2006 was removed; the 13th month of fringe benefits costs included in FY 2006 to fix a previous rollover was removed; the inflation factors were reset to 0 percent to better isolate the cost of updating base year expenditures; non-participation savings in incentive programs were restored).

- **Projected ADM.** Reflects estimates of student enrollment projections based on March 31, 2005 Average Daily Membership (ADM) and September 30, 2005 Fall Membership student totals. Enrollment is estimated to increase by 6,201 students in the unadjusted ADM the first year, and by another 11,235 students the second year, compared to the level projected for FY 2006 in Chapter 951, for an estimated total of 1,208,149 students in FY 2008.

- **Program Level Child Counts.** Reflects various adjustments including updated special education, vocational education, and English as a Second Language child counts; updated test score data and free lunch eligibility data; and remedial summer school enrollment projections.

  Also, consistent with language in the 2004-06 appropriation act, the five different disability categories for mental retardation were consolidated into one category per the policy of the State Board of Education in compliance with federal requirments.

- **Funded Instructional Salaries.** Reflects increases in funded salary levels from 2004-06 to 2006-08 due to base year (FY 2004) prevailing salaries increased by the 3.0 percent compensation supplement provided by the General Assembly for FY 2006. Funded salaries for elementary teachers increased from $37,534 to $39,681, or 5.7 percent over the two year period. Funded salaries for secondary teachers increased from $39,641 to $41,615, or 5.0 percent over the two year period.

- **Funded Fringe Benefit Rates.** The introduced budget reflected the following rate adjustments relative to rates funded in Chapter 951 for FY 2006: 9.20 percent for VRS, up from 6.62 percent; 0.56 percent for Retiree Health Care Credit, up from 0.55; and 0.49 percent for the employer's share of Group Life, up from 0.0 percent.

  *The adopted budget adds an additional $27.9 million GF in the second year for the state's share of a VRS contribution rate of 10.30 percent based on an amortization period of 21 years, instead of 30 years as proposed in the introduced budget. In addition, savings of $5.8 million GF were

budgeted in Central Appropriations to be reduced from Direct Aid based on a Retiree Health Care Credit rate of 0.49 percent and a Group Life rate of 0.45 percent due to investment return assumptions.)

- **Health Care Premiums.** Reflects costs associated with the prevailing health care premium increasing from $3,269 to $4,301 per SOQ instructional position, an increase of 32 percent over two years from the 2004-06 to 2006-08 biennial budgets.

- **Base Year Expenditures.** Reflects various adjustments including base year (FY 2004) expenditure data; updating of school-level enrollment configurations; updated data for the 30 percent federal revenue deduction; and nurses, superintendent, and school board costs.

- **Transportation Costs.** Reflects updated base year transportation cost data.

- **Textbook Per Pupil Amount.** Reflects increased per pupil prevailing textbook costs of $101.81, compared with $63.12 for 2004-06, an increase of 62 percent.

- **Inflation Factors.** The introduced budget reflects costs associated with inflation factors increasing from 4.66 percent to 7.30 percent for the two year period.

  *The adopted budget reflects savings of $33.7 million GF by applying an adjusted scale, or "soft cap," to funded inflation rates (funded at 100 percent up to 5.0 percent, the 10-year average, and at 35 percent for that amount of the inflation rate above 5.0 percent.)

- **Projected Lottery Proceeds.** The introduced budget decreases the net local share of Lottery proceeds due to a revised revenue estimate for FY 2007 and FY 2008 that is $15.7 million lower than the amount projected in Chapter 951 for FY 2006, based on the anticipated impact of North Carolina's new lottery.

  * The adopted budget reflects a net $6.4 million GF adjustment from additional FY 2006 lottery revenues that were realized after the caboose budget, Chapter 2, was adopted. Consequently, these funds were added in the first year. Later, in House Bill 5032 (Chapter 10), an additional $4.9 million in lottery proceeds was directed to offset the costs of the sales tax hold harmless described below.

- **Projected Sales Tax Revenue and New Census Count.** The net sales tax revenues from the one cent portion and the additional one-eighth cent

sales tax from the Public Education SOQ/Real Estate Property Tax Relief Fund that are dedicated for public education and distributed based on school-aged population are projected to increase. This also reflects an additional cost of $3.9 million each year to update data from the triennial census of school-aged population.

* During Special Session I in September 2006, House Bill 5032 (Chapter 10) amended Chapter 3 due to issues with the allocation of using corrected sales tax revenue for public education. A hold harmless supplement was provided in FY 2007, resulting in a zero sum difference net change for school divisions from the adopted budget. In FY 2008, the net result of correcting the sales tax figure downwards, and providing the additional Basic Aid offset required, is a decrease of $62.8 million in FY 2008. The following table shows the accounts that were impacted by House Bill 5032:

	Chapter 3		HB5032 – Substitute		DIFFERENCE	
	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008
Sales Tax	$1,266,460,000	$1,336,490,000	$1,136,600,000	$1,192,600,000	($129,860,000)	($143,890,000)
Basic Aid	2,640,297,191	2,647,385,004	2,713,286,597	2,728,260,144	72,989,406	80,875,140
Enrollment Loss	7,757,404	7,945,316	7,965,964	8,190,249	208,560	244,933
Basic Aid Supplemt.	530,783	528,746	540,631	539,658	9,848	10,912
Hold Harmless	0	0	51,699,556	0	51,699,556	0
FY06 Lottery surplus	0	0	4,952,630	0	4,952,630	0
Net Adjustments	$3,915,045,378	$3,992,349,066	$3,915,045,378	$3,929,590,051	$0	($62,759,015)

- **Composite Index.** The elements used to calculate each school division's composite index of local ability-to-pay are updated from 2001 to 2003. The composite index measures local wealth through true value of real property (50 percent) adjusted gross income (40 percent) and retail sales tax collection (10 percent). The index is weighted two-thirds by ADM and one-third by population.

  The index went up for 46 school divisions (i.e. because local wealth increased relative to the rest of the state, the locality is responsible for a larger percentage of SOQ costs); the composite index went down for 81 school divisions, and the composite index was unchanged for 9 school divisions.

- **Incentive and Categorical Accounts.** Reflects various adjustments to incentive and categorical accounts that are linked to SOQ funding factors,

such as ADM enrollment or Basic Aid per pupil cost. Affected programs include K-3 class size reduction, at-risk four-year olds, and Governor's Schools.

- ***Salary Increase December 1, 2006.*** Adds $61.4 million GF the first year and $106.2 million GF the second year for the state's share of a three percent salary adjustment, effective December 1, 2006, for all instructional and support positions that are prescribed by the SOQ, incentive-based and categorical funding formulas. In addition, another $14.4 million GF the first year and $25.2 million GF the second year is provided for an additional 1.0 percent increase for instructional positions. School divisions that wish to participate must certify to the Department of Education, no later than March 1, 2007, that at least the equivalent increase has been granted in the first year and matched by the local government, based on the composite index of local ability-to-pay.

- ***Phase-In Cost of Competing Adjustment for Six Localities Affected by the Northern Virginia Regional Labor Market.*** Adds $2.7 million GF the first year and $6.9 million GF the second year for the cost of competing adjustment for six localities (Fauquier, Stafford, Spotsylvania, Clarke, and Warren counties and Fredericksburg City) that are also included in the Washington DC Metropolitan Statistical Area. The funding reflects a 10 percent phase-in cost the first year and 25 percent the second year

- ***At-Risk Four-Year-Olds Preschool Program.*** Adds $3.3 million GF each year to increase from $5,400 to $5,700 the basis for calculating the state's share if funding for the Virginia Preschool Initiative (VPI) for 100 percent of at-risk four-year-olds unserved by Head Start programs.

- ***Salary Incentives to Assist "Hard-to-Staff" Schools in Attracting and Retaining Highly Qualified Teachers.*** Adds $1.6 million GF the first year and $0.6 million GF the second year for the completion of a pilot program designed to attract and retain highly qualified teachers in "hard-to-staff" schools by providing relocation incentives and retention bonuses, as well as professional development support for existing staff. This action also requires an evaluation of the pilot for its effectiveness. The funding reflects the third and final year of the pilot program in Caroline County and Franklin City and the second and third year for Petersburg City.

- ***Career and Technical Education Resource Center.*** Adds $400,000 GF each year for the Career and Technical Education Resource Center in Henrico County to provide vocational curriculum and resource instructional materials to school divisions throughout the state at no charge.

- *Career and Technical Education Equipment.* Adds $300,000 GF each year to increase total payments to school divisions for the purchase of vocational education related equipment and tools and increases the total funding available from $1.5 million GF to $1.8 million GF per year.

- *Industry Certification.* Adds $166,041 GF the first year and $383,051 GF the second year to support industry certification efforts based on additional demand. These allocations will be added to the $682,082 GF transferred from Central Accounts each year in the base budget.

- *New Regional Career and Technical School in the Middle Peninsula Area.* Adds $200,000 GF the second year only for the planning of a new regional career and technical vocational education center located within the Middle Peninsula area after submission of a comprehensive plan.

- *New Grant for Communities in Schools Program.* Adds $500,000 GF the first year only for the Communities in Schools Program to match a Gates Foundation grant to develop business-like learning environments called "performance learning centers."

- *Salary Reserve for SOQ Instructional Positions.* The Central Accounts budget includes $22 million GF in the second year for a reserve for a salary increase and related benefit costs for the state's share of all SOQ instructional positions.

- *Increase NGF Appropriation to Reflect Federal Funds.* Adds $138.0 million NGF each year to reflect increases in funds available for school nutrition ($30 million) and the No Child Left Behind program (Title I - Special Education: $105 million; Carl Perkins: $3 million).

- *Language.*

  - Establishes a technical workgroup to study K-12 cost drivers and trends and other issues.

  - Directs school divisions to allocate a portion of Basic Aid funding on school health services.

  - Allows school divisions to request use of any unused funding slots in regional alternative programs.

  - Adds reporting requirements related to required local matching for all school facilities and incentive programs.

- Adds language that claries the specific triennial census data year that will be used in the distribution of the one and one-eighth cent of sales tax revenues that are dedicated to school divisions.

- Allows school divisions to reapply for a Leadership Development Grant.

- Adds language that allocates funding for the Academic Year Governor's Schools based upon actual September 30th fall membership data or equivalent enrollment for students that attend these programs during the year based on alternative course schedules such as semester block schedules.

– ***Literary Fund.*** Provides $10.0 million GF each year to reduce the diversion of $125.9 million each year down to $115.9 million each year from Literary Fund revenues to the general fund to pay for teacher retirement costs. As shown below, compared with a combined total of $29.9 million in interest rate subsidies and direct loans for FY 2006 (actual), it is anticipated that a total of $44.1 million would be provided first year and $35.0 million in the second year. It is estimated that this could reduce the waiting list to one year.

Revisions to Literary Fund Sources and Uses

($ in millions)

	FY 2006	FY 2007	FY 2008
Beginning Balance	$83.0	$60.5	$30.7
Projected Revenue	195.5	192.9	187.8
Total Revenues & Balances	**$278.5**	**$253.4**	**$218.5**
Uses			
Teacher Ret./Soc. Security	$125.9	$115.9	$115.9
Technology Debt Service	62.2	62.8	64.1
Interest Rate Subsidy	14.9	15.0	20.0
School Construction Loans	15.0	29.1	15.0
Total Uses	**$218.0**	**$222.8**	**215.0**
Ending Balance	**$60.5**	**$30.7**	**$3.5**

A listing, by locality, of the estimated funding for FY 2007 Direct Aid to Public Education is included as Appendix A and estimated funding for FY 2008 Direct Aid to Public Education is included as Appendix B.

- **Virginia School for the Deaf and Blind at Staunton**

  - *Pay Parity Update.* Adds $38,132 GF the first year and $70,398 GF the second year for teacher salary adjustments. The *Code of Virginia* requires that the Department of Human Resource Management establish salary schedules for all professional personnel at the Virginia Schools for the Deaf and Blind that are competitive with those in effect for the school divisions in which the facility is located.

- **Virginia School for the Deaf, Blind and Multi-Disabled at Hampton**

  - *Pay Parity Update.* Adds $31,696 GF the first year and $58,515 GF the second year for teacher salary adjustments. The *Code of Virginia* requires that the Department of Human Resource Management establish salary schedules for all professional personnel at the Virginia Schools for the Deaf and Blind that are competitive with those in effect for the school divisions in which the facility is located.

- **Department of Education, Central Office**

  - *Education Information Management System.* Adds $662,530 GF the first year and $670,656 GF the second year for costs related to the state-wide, student-level data system in order to improve data collection, analysis, and reporting in order to meet No Child Left Behind requirements. This includes a five percent annual cost escalator in the current vendor contract, licenses for high-speed data transfer software for the system, and the development and delivery of state-wide technical assistance to school divisions on utilization of the system to make better instructional delivery decisions.

  - *National Board Certification Bonus for Teachers at FY 2007 Levels.* Adds $280,000 GF the first year and $245,875 GF the second year. For FY 2007, it is estimated that 731 teachers will be eligible for continuing bonuses at $2,500 per award and 230 teachers will be eligible for initial bonuses at $5,000 per award, bringing the total number of teachers holding National Board Certification in Virginia to 961.

  - *Neighborhood Assistance Program and Schools for Students with Disabilities Fund Tax Credit.* Adds $143,236 GF and 2.0 FTE positions the second year to support implementation of the new Schools for Students with Disabilities Fund, established under Part 3 of the Appropriation Act. The

  - *Increase NGF Appropriation to Reflect Federal Funds.* Adds $10.2 million NGF each year to reflect an increase in federal funds for teacher certification, conference activities, and the No Child Left Behind program.

- *SOL Testing Contract.* Savings of $2.0 million GF the first year and $3.2 million GF the second year to reflect the lower than anticipated contract amount for standardized testing services.

- *Language.*

  - Permits the Department of Planning and Budget (DPB) to invite a school division to participate in the school efficiency review program as a component of a division level academic review. These divisions would be except from paying the initial 25 percent local share for the cost of such review but would be responsible for paying 25 percent of the cost if at least 50 percent of review's recommendations are not initiated within 24 months of the completion of the review's final report.

  - Additional language is included in the Department of Planning and Budget that directs DPB to charge school divisions that elect to participate in a school efficiency review 25 percent of the total cost of such review and to pay a separate and additional 25 percent payment to the state if at least 50 percent of the review's recommendations are not initiated within 24 months of the completion of the review's final report.

  - Authorizes the Department of Education to use available balances up to $81,000 GF each year for expenses associated with the Commission on Civics Education.

  - Directs the Department of Education to consider including visually impaired students in the next SOQ Rebenchmarking, shifting the responsibility from the Department of Blind and Vision Impaired (DBVI).

Higher Education

The adopted 2006-08 budget totals $3.6 billion, a net biennial increase of $450.1 million GF or about 14.2 percent when compared to the adjusted base appropriation. Almost 90 percent of the increases for higher education are provided in four major areas: 1) continued support for "base adequacy" to recognize anticipated enrollment growth; 2) support for a new higher education research initiative; 3) continued progress in returning average faculty salaries to the 60th percentile of peer institutions nationally; and 4) enhancements in undergraduate student financial aid at public and private colleges and universities.

Major GF Increases
(2006-08 Biennium, $ in millions)

Enrollment Growth and Base Adequacy	$237.3
Higher Education Research Initiative [a]	76.3[a]
Average 4.00% Faculty Salary Increase in FY 2007	48.4
Undergraduate Student Financial Aid	21.7
Tuition Assistance Grants (TAG)	17.3
Operation and Maintenance of New E&G Facilities	9.7
Basic Operations Adjustments	9.1
Various Program Enhancements	8.8
Eastern Virginia Medical School	8.5
Enhance Nursing Programs	5.7
Replace and Update Computing Systems	3.6
Graduate Programs at University of Mary Washington	3.5
New College Institute (Martinsville)	2.6
Regional Higher Education Centers	2.3
ODU Rolling Road Test Module	2.0
Software Engineering at UVA-Wise	1.7
Virginia Tech Extension Staffing	1.3
Total	**$459.8**

Note (a): Amounts for research include $6.0 million in lease payments for equipment purchased under the Higher Education Equipment Trust Fund. The lease payments are appropriated under the Treasury Board.

- **Enrollment growth and base adequacy.** Provides $113.4 million GF and $47.6 million NGF the first year and $123.9 million GF and $47.6 million NGF the second year to address base operating needs and enrollment growth at Virginia's public colleges and

universities. It is anticipated that this additional support will bring average funding to about 98 percent of the levels recommended by the Joint Subcommittee Studying Higher Education Funding Policies.

Base Adequacy a Enrollment Growth
(2006-08 GF $ Increases)

Institution	FY 2007	FY 2008	Biennial Total
CNU	$1,170,418	$1,336,362	$2,506,780
CWM	2,192,680	2,498,635	4,691,315
GMU	15,459,979	17,617,184	33,077,163
JMU	4,833,972	5,508,480	10,342,452
LU	2,041,882	2,326,796	4,368,678
NSU	648,265	875,419	1,523,684
ODU	14,144,251	16,117,867	30,262,118
RU	4,215,349	4,803,537	9,018,886
UMW	2,968,916	3,383,183	6,352,099
UVA	4,699,896	5,355,696	10,055,592
UVA-Wise	1,877,831	2,139,854	4,017,685
VCU	14,792,743	16,856,846	31,649,589
VMI	407,961	464,886	872,847
VSU	2,496,268	2,496,268	4,992,536
VT	4,523,839	5,155,073	9,678,912
RBC	686,756	782,583	1,469,339
VCCS	36,195,779	36,195,779	72,391,558
Total	**$113,356,785**	**$123,914,448**	**$237,271,233**

- **Higher education research.** Provides $37.5 million GF and $47.9 million NGF the first year, and $38.8 million GF and $47.9 million NGF the second year in operating support for higher education research and development initiatives.

Major Components of Research Package

(2006-08 Biennium, GF $ in millions)

Component	FY 2007	FY 2008	Biennial Total
Biomedical research & biomaterials eng.	$19.6	$19.6	$39.2
Modeling and simulation	5.8	5.8	11.6
Debt service for HEETF research supplement	0.0	6.0	6.0
Institute for Advanced Learning and Research	2.1	2.4	4.5
Research Commercialization	5.0	0.0	5.0
Graduate Financial Aid	5.0	5.0	10.0
Total	**$37.5**	**$38.8**	**$76.3**

A description of each of the major general fund components follows:

- ***Biomedical research and biomaterials engineering.*** Includes $39.2 million GF over the biennium to attract faculty in biomedical research and biomaterials engineering at Virginia Tech, the University of Virginia, the College of William and Mary, Virginia Commonwealth University, and George Mason University.

- ***Modeling and simulation research.*** Includes $11.6 million GF over the biennium to enhance the Commonwealth's modeling and research capabilities in the Tidewater region. Of this amount, $8.0 million GF is provided for Old Dominion University, $3.0 million for the Eastern Virginia Medical School, and $0.6 million for the Virginia Economic Development Partnership.

- ***Debt service for Higher Education Equipment Trust Fund (HEETF) research supplement.*** Includes $6.0 million GF the second year in Treasury Board for the debt service on $33.5 million authorized for the purchase of research-related equipment at Virginia Tech, the University of Virginia, Virginia Commonwealth University, George Mason University, Old Dominion University, the College of William and Mary, the Virginia Institute of Marine Science and the Institute for Advanced Learning and Research. The amounts include $3.0 million to equip the Agriculture and Natural Resources Laboratory at the Virginia Tech Agriculture Experiment Station and $4.0 million at the University of Virginia to acquire the focused ultrasound equipment.

- *Institute for Advanced Learning and Research (IALR).* Provides $2.1 million GF the first year and $2.4 million GF the second year to support the on-going expansion of research programs at the Institute in Danville.

- *Research Commercialization Grants.* Provides $5.0 million GF the first year for the Commonwealth Technology Research Fund (CTRF) for the commercialization of higher education research. The funding will be awarded using a competitive grant process and will require at least a one-for-one match of nongeneral funds. Included in this funding is $3.0 million to develop a research-related entity along the I-81 corridor.

- *Graduate Student Financial Aid.* Increases state support for graduate aid by $5.0 million GF each year or 40 percent over current FY 2006 appropriations of $12.3 million GF. The additional funds would be targeted to graduate students at Virginia's six doctoral institutions.

- **Faculty Salary Increases.** Includes $17.0 million GF and $12.8 million NGF the first year and $31.4 million GF and $23.5 million NGF the second year for an average 4.00 percent increase to sustain progress on raising average salaries for teaching and research (T&R) faculty to the 60th percentile of peer institutions nationally. Faculty salary increases vary by institution, ranging from 2.19 to 4.39 percent based on each institutions' current rankings relative to peer institutions. In addition, funding is provided for a 3.29 percent salary increase for administrative faculty, part-time faculty, and graduate assistants. All salary increases would be effective November 25, 2006.

FY 2007 Faculty Salary Increases
(2006-08 Increase, GF State Share)

Institution	Avg. % Incr. for T&R Faculty	FY 2007 Allocation	FY 2008 Annualization Cost	Biennial Total
CNU	3.62	$289,911	$533,048	$821,959
CWM	4.39	624,814	1,152,790	1,777,604
GMU	4.06	1,689,683	3,117,505	4,807,188
JMU	3.84	839,597	1,549,074	2,388,671
LU	4.39	259,307	478,422	737,729
NSU	3.40	309,025	570,156	879,181
ODU	3.95	934,745	1,724,625	2,659,370
RU	2.55	360,079	672,106	1,032,185
UMW	4.39	232,312	428,614	660,926
UVA[1]	4.39	1,825,264	3,367,651	5,192,915
UVA-Wise	4.39	117,057	215,967	333,024
VCU[1]	4.39	2,355,413	4,345,788	6,701,201
VMI	4.39	99,265	183,148	282,413
VSU	3.84	208,718	385,094	593,812
VT	4.39	2,051,741	3,785,507	5,837,248
RBC	2.19	30,077	55,491	85,568
VCCS	4.39	3,782,877	6,975,794	10,756,671
VIMS	4.39	166,379	309,969	476,348
VT-Ext	4.39	805,469	1,486,104	2,291,573
VSU-Ext	3.84	39,912	73,642	113,554
Average/Total	4.00	$17,018,645	$31,410,495	$48,429,140

[1] Includes salaries for faculty affiliated with the medical family practice programs.

- **Undergraduate Student Financial Aid.** Includes $39.0 million GF over the biennium for increases in undergraduate aid at public and private institutions.

  - ***Need-Based Undergraduate Aid.*** Of this amount, $10.9 million GF is provided each year for need-based student aid at Virginia's public colleges and universities. The additional funding would provide a 12.9 percent increase over the current $84.2 million GF appropriated annually for this purpose.

Undergraduate, Need-Based Student Aid at Virginia's Public Colleges and Universities
(2006-08 GF $ Increases)

Institution	FY 2007	FY 2008	Biennial Total
CNU	$250,000	$250,000	$500,000
CWM	181,000	181,000	362,000
GMU	1,213,300	1,213,300	2,426,600
JMU	415,000	415,000	830,000
LU	253,100	253,100	506,200
NSU	439,200	439,200	878,400
ODU	1,254,600	1,254,600	2,509,200
RU	570,600	570,600	1,141,200
UMW	96,900	96,900	193,800
UVA	336,500	336,500	673,000
UVA-Wise	147,400	147,400	294,800
VCU	1,375,900	1,375,900	2,751,800
VMI	51,200	51,200	102,400
VSU	373,800	373,800	747,600
VT	840,400	840,400	1,680,800
RBC	19,400	19,400	38,800
VCCS	3,048,700	3,048,700	6,097,400
Total	**$10,867,000**	**$10,867,000**	**$21,734,000**

- ***Tuition Assistance Grant (TAG) Program.*** Includes $4.4 million GF the first year and $12.9 million GF the second year to increase *undergraduate* TAG awards from $2,500 to an estimated $2,750 in FY 2007 and an estimated $3,100 in FY 2008. Maintains graduate awards at their current estimated level of $1,900. Actual awards will depend on the number of eligible students who participate in the program.

- **Graduate Education Programs at the University of Mary Washington.** Provides $1.6 million GF, $0.8 million NGF, and 30 positions the first year and $1.9 million GF, $1.0 million NGF and 35 positions the second year to staff the second graduate education building coming on-line at the Stafford campus.

- **Software Engineering and Computer Science Programs at the University of Virginia at Wise.** Provides $809,625 GF and $144,775 NGF the first year and $849,625 GF and $144,775 the second year to establish an accredited software engineering program in support of regional economic development efforts.

- **Various Program Enhancements.** Includes $4.8 million GF the first year and $4.0 million the second year to provide additional funding for academic and research initiatives as well as targeted support for affiliated higher education agencies.

Various Programs Enhancements

($ General Fund)

Institution	Program	FY 2007	FY 2008
Christopher Newport University			
	Virginia Electronic Commerce Technology Ctr	$250,000	$0
Virginia Institute of Marine Science			
	Operating Support	200,000	200,000
Virginia State University			
	Logistics Training Program	150,000	150,000
University of Virginia			
	Graduate Engineering Program	150,000	150,000
	State Arboretum	150,000	150,000
	Center for Politics	317,000	317,000
	Foundation for the Humanities - Virginia Encyclopedia Projects	150,000	150,000
Virginia Commonwealth University			
	Palliative Care Program	100,000	100,000
	Autism Research	150,000	150,000
	Geriatric Education	375,000	375,000
	Center for Aging	45,000	45,000
	Council on Economic Education	75,000	75,000
Longwood University			
	Teaching Technology	91,867	100,000
SCHEV			
	Virtual Library	766,283	766,283
	Operating Support	363,533	369,993
Va. Military Institute			
	Unique Military Programs	438,000	657,000
Virginia Community College System			
	Central Va. CC Amherst Center	300,000	0
	Southside Va. CC Heavy Equipment Program	100,000	100,000
	Southside Virginia Workforce Center	500,000	0
	Mecklenburg Job Retraining Center	150,000	150,000
Total		**$4,821,683**	**$4,005,276**

- **Operation and Maintenance (O&M) of New Facilities.** Provides $3.1 million GF and $3.1 million NGF the first year and $6.6 million GF and $5.3 million NGF the second year to support the operation and maintenance of 43 educational and general (E&G) facilities coming on-line in FY 2007.

- **Base Operations Adjustment.** Provides $9.1 million GF at institutions of higher education to support eVA surcharges, increases in property insurance premiums and workers' compensation, and anticipated VITA- related charges.

- **Eastern Virginia Medical School.** Includes $4.2 million GF each year to strengthen academic programs and to address accreditation recommendations. Using the "base adequacy" guidelines adopted by the Joint Subcommittee Studying Higher Education Funding, the proposed increase would bring funding for the School to 98 percent of the recommended guideline level for undergraduate medical education.

- **New College Institute.** Provides $1,250,000 GF each year for the creation of a new higher education entity in Southside Virginia. Separate legislation adopted during the 2006 Session created the New College Institute to serve as a broker between the community colleges and existing four-year degree programs in providing increased access to higher education in the region. A portion of the funding is designated to create a Visiting Faculty Program between the Institute and the University of Virginia, Radford University and Longwood University to deliver computer science and technology, nursing and teacher education programs in the region.

- **Efforts to Enhance Nursing Programs.** The adopted budget provides $3.1 million GF the first year and $2.6 million GF the second year for three initiatives to enhance nursing programs and increase the number of nursing graduates. They include:

  - *Nursing Workforce Task Force.* Provides $1.5 million GF in each year for competitive grants to develop innovative public-private partnerships that seek to maximize the number of newly licensed nurses and increase the supply of graduate nursing faculty. Two pilot projects are funded in each year, one at Northern Virginia Community College and the other at the University of Virginia. The State Council of Higher Education for Virginia will work with the task force to develop criteria for awarding future grants.

  - *Radford Nursing Clinical Simulation Laboratories.* Includes $1.4 million GF the first year, $762,400 GF the second year and nine positions to establish two new nursing training laboratories. One of the labs would be set up in the New River Valley and the other in the Roanoke Valley. Radford University's School of Nursing will develop the laboratories collaboratively with the region's other nursing schools, the Roanoke Higher Education Center, and interested private health care providers in the region.

- *Norfolk State University Nursing Expansion.* Provides $0.2 million GF and $0.3 NGF the first year and $0.4 million GF and $0.4 million NGF the second year to expand NSU's nursing program.

- **Replace and Update Computing Systems.** Provides $1.3 million GF the first year and $2.2 million GF the second year to upgrade or replace academic, administrative, or financial computing systems at Longwood, Norfolk State, Radford, and Virginia State University (VSU). Includes funding to improve information technology infrastructure at Richard Bland College.

GF for Computing System Replacements and Upgrades

Institution	FY 2007	FY 2008	Biennial Total
LU	$587,000	$999,000	$1,586,000
NSU	198,000	198,000	396,000
RU	350,000	840,800	1,190,800
RBC	109,300	109,300	218,600
VSU	99,500	99,500	199,000
Total	**$1,343,800**	**$2,246,600**	**$3,590,400**

- **Regional Higher Education Centers.** Increased funding totaling $1.1 million GF the first year and $1.2 million GF the second year for the three regional higher education centers as shown in the table below. Funding for the Southwest Virginia Higher Education Center includes $150,000 GF in each year to support new Information Technology training efforts in the region.

Regional Higher Education Centers

Institution	FY 2007	FY 2008	Biennial Total
Roanoke Higher Education. Center	$568,900	$568,900	$1,137,800
Southwest Va. Higher Education Center	466,600	466,600	933,200
Southern Va. Higher Education Center	61,700	123,400	185,100
Total	**$1,097,200**	**$1,158,900**	**$2,256,100**

Funding increases for the Institute for Advanced Learning and Research (IALR) in Danville are included separately in the Governor's research initiative. Language is included directing IALR and the Southern Virginia Higher Education Center to work collaboratively with the New College Institute to avoid unnecessary duplication in the region.

- **Old Dominion University's "Rolling Road" Test Module.** Provides $2.0 million GF the first year to leverage nongeneral fund resources for the purchase of "rolling road" test equipment. With this purchase, the University would be able to use its wind tunnel to provide state-of-the art aerodynamic testing on automotive vehicles.

Other Education

The adopted 2006-08 budget provides a net increase of $17.6 million GF over the biennium for state museums and other educational agencies, an increase of 15.6 percent over the adjusted base budget. The amendments include $4.1 million GF for grants to arts organizations through the Virginia Commission for the Arts; $2.8 million for aid to public libraries; $1.5 million GF for additional security services during construction and 6.0 new positions for prepare new gallery space at the Virginia Museum of Fine Arts; $1.3 million GF for public safety costs during the three weekend events related to the 400th anniversary of Jamestown; $1.1 million GF for "product readiness" activities for the Jamestown Yorktown Foundation; $0.7 million for electronic and digital record management at the Library of Virginia; and $0.7 million and 3.0 new positions for facility upkeep at the Science Museum of Virginia.

- **Virginia Commission for the Arts.** Adds a net $4.1 million GF over the adjusted base budget.
  - *Grant Awards to Arts Organizations.* Adds $1.3 million GF the first year and $2.8 million GF the second year. This would raise the level of funding from 43 percent to 60 percent in FY 2007 and to 80 percent in FY 2008 towards the goal of $1 for each Virginia resident.
  - *National Endowment for the Arts Grant.* Adds $15,000 NGF each year to reflect a grant from the National Endowment for the Arts.
  - *Federal Funds.* Reduces $29,100 NGF each year to accurately reflect the amount of federal funds support grants to arts organizations.
- **Library of Virginia.** Adds a net $4.6 million GF over the biennium.
  - *Aid to Public Libraries.* Provides $1.4 million GF each year to local public libraries through the state funding formula based on population growth.
  - *Electronic and Digital Record Management.* Adds $434,425 GF the first year and $221,100 GF the second year for equipment, software support and operations to address the growing need for electronic and digital record management.
  - *Rare Collections.* Provides $215,955 GF each year for collection, conservation, and preservation of historical and reference documents.
  - *NGF Appropriation.* Adds $1.15 million NGF the first year and $1.2 million NGF the second year and 7.0 NGF positions to reflect increases in the circuit court records program and the library shop.

- *Federal Funds and Positions.* Provides $905,495 NGF each year and 2.0 NGF FTE and 1.0 GF FTE to accurately reflect the current staffing and federal funding levels.

- **Virginia Museum of Fine Arts.** Adds a net $2.2 million GF and 6.0 positions over the adjusted base budget.

  - *Additional Security Services.* Provides $344,000 GF the first year and $604,925 GF the second year to support additional contract security services needed during construction.

  - *Prepare New Gallery Space Positions.* Includes $512,477 GF and 6.0 FTE positions the second year to design and prepare the expanded gallery space.

  - *Architecture and Design Department Positions.* Adds $93,465 GF the first year and $94,349 GF the second year for 2 positions to accommodate additional workload due to the expansion.

  - *Electrician and Mechanic Positions.* Provides $187,249 GF for 2 positions the second year for an electrician and HVAC mechanic.

- **Jamestown-Yorktown Foundation.** Adds a net $2.8 million GF over the biennium.

  - *"Product Readiness".* Adds $750,000 GF and $591,886 NGF the first year and $350,000 GF and $946,339 NGF the second year. This includes in-state advertising, costs related to the expanded physical plant, security, additional programming, and ship maintenance.

  - *Energy Costs.* Adds $261,000 GF the first year and $298,103 GF the second year to pay escalating energy costs and to properly maintain museum temperature and humidity standards in gallery storage areas.

  - *Management Readiness for Special Events.* Adds $226,230 NGF the first year and $368,519 NGF the second year for pay awards to assure retention of key frontline staff during the commemorative period and for fundraising database maintenance costs.

- **Jamestown 2007.** Adds a net $2.1 million GF over the adjusted base budget.

  - *Public Safety During Weekend Events.* Adds $1.0 million GF the first year and $250,000 GF the second year for costs for contracting for security, fire, and emergency medical services during the three weekend events planned as part of the 400th Anniversary.

  - *Marketing.* Adds $500,000 GF the first year only for marketing to enhance the economic impact for Virginia of the 2007 commemoration.

- *Transportation Plan.* Adds $347,000 GF the first year only for half the matching funds requested to implement a transportation plan for anniversary weekend events.

- **Science Museum of Virginia.** Adds a net $1.2 million GF and 3.0 positions over the adjusted base budget.

  - *Facility Upkeep.* Adds $347,053 GF each year and 3.0 positions for such projects as mowing, painting, carpet replacement, and equipment repairs.

  - *Exhibit Maintenance.* Provides $150,000 GF each year to partially address exhibit maintenance needs.

  - *Support Pay Equity for Outreach Education.* Adds $13,812 GF the first year and $25,500 GF the second year to support pay equity for outreach coordinators comparable to those of teaching positions.

- **Frontier Culture Museum of Virginia.** Adds a net $430,866 GF over the adjusted base budget.

  - *Various Operational and Support Services.* Adds $165,703 GF the first year and $152,139 GF the second year for various operational and support services. This includes hiring additional part-time employees; pay raises for hourly employees; software upgrades, replacing network switches and printer repairs; utilities and fuel; marketing; seat management; costuming; and security.

  - *Replace 30 Year Old Backhoe.* Adds $70,000 GF the first year to replace a 1976 backhoe, which has been in service at the museum since 1988 and was used for building and expanding exhibits, maintaining existing exhibits, and snow removal.

  - *Reduce NGF Appropriation to Reflect Actual Ticket Sales.* Reduces by $276,758 NGF each year to reflect actual revenue collections from ticket sales.

- **Gunston Hall.** Adds a net $189,405 GF over the adjusted base budget.

  - *Offset Unanticipated Increases.* Adds $49,780 GF each year for unanticipated increases in costs.

  - *O&M for the Ann Mason Building Addition.* Adds $29,208 GF each year for operation and maintenance costs, such as cleaning, heating, and security monitoring, of new additions to the Ann Mason Building completed in September 2005.

Finance

The adopted budget for the 2006-08 biennium includes a total of $1.3 billion in general fund (GF) spending and $60.3 million in nongeneral fund (NGF) spending. This includes a net increase of $265.8 million GF, or 26.6 percent, and a net decrease of $23.3 million NGF for the biennium when compared to the adjusted appropriations for current operations.

Major general fund spending items include: $138.3 million for deposit to the Rainy Day Fund, $106.4 million to reflect estimated debt service payments needed to finance existing bond authorizations, $9.8 million to fund benefits payable to disabled or deceased public safety officers under the Line-of-Duty Act, $1.4 million to strengthen tax compliance efforts, $780,000 for the City of Norfolk's Public Facilities Sales Tax, $665,907 for oversight of the Land Preservation Tax Credit, $515,568 in additional staffing for the Department of Planning and Budget, and $277,484 to strengthen financial controls at the Department of Accounts, and $128,325 for analysis of the Virginians' use of the federal earned income tax credit.

A few nongeneral fund spending items were included in the adopted budget, including $1.3 million to administer the collection of local communications sales and use taxes, $500,000 to establish a charge card rebate fund, and $157,789 to create accounting positions to oversee certain functions in the Department of the Treasury. However, the largest nongeneral fund items involved budget reductions. These included $23 million reflecting the conclusion of the Tax Partnership Project, and $2.0 million to reduce appropriations for the Edvantage Reserve Fund.

- **Department of Accounts**

  - ***Provide Additional Staffing for Payroll Service and Fiscal Service Bureaus.*** Includes two positions to assume the payroll and fiscal functions of several executive branch agencies. Funding will be provided through state agency service charges.

  - ***Provide Additional Staffing for the Line of Duty Act.*** Provides $74,295 GF and one position the first year and $69,295 GF the second year the increased workload for the Line-of-Duty Act.

  - ***Strengthen Financial Controls.*** Provides $138,742 GF and two positions the first year and $138,742 GF the second year to strengthen the Commonwealth's financial controls.

  - ***Commonwealth Charge Card Rebate Program.*** Provides $275,000 NGF and one position the first year and $275,000 the second year to establish the Commonwealth Charge Card Rebate Fund, which will receive the rebate deposits earned on the Commonwealth's charge cards.

- **Department of Accounts Transfer Payments**

  - *Rainy Day Fund Deposit.* Provides $138.3 million GF the second year for a net deposit to the "Rainy Day Fund". The deposit is based upon preliminary assumptions about fiscal year 2006 revenue collections, interest earnings that will accrue to the Fund, and it is net of the expected general fund refund for the amount that mandatory payment will exceed Constitutional cap.

    The actual amount required for deposit in fiscal year 2008 will not be determined until actual fiscal year 2006 revenue collections have been certified by the Auditor of Public Accounts.

  - *City of Norfolk Public Facilities Sales Tax.* Provides $390,000 GF each year to implement Chapter 581 of the Acts of Assembly of 2006, which authorized the City of Norfolk to receive sales tax revenues generated by certain public facilities.

  - *Edvantage Reserve Fund.* Reduces funding for the Edvantage Reserve Fund by $1.0 million NGF each year to reflect actual program requirements.

  - *Additional Funding for Line of Duty Act.* Provides $3.6 million GF the first year and $6.2 million GF the second year to provide health insurance and death benefits to public safety officers injured or killed in the line of duty.

- **Department of Planning and Budget**

  - *Council on Virginia's Future.* Transfers $500,000 GF each year currently in Central Appropriations to the department for support of the Council on Virginia's Future. Additional support for the council is also included in Central Appropriations.

  - *Additional Staffing for Workload Changes.* Provides $257,874 GF and two positions the first year and $257,874 GF the second year to address the department's workload changes.

  - *School Efficiency Reviews.* Includes language clarifying the requirement that each participating school division pay 25 percent of the total cost of their school efficiency review. Further, the language states that school divisions shall be responsible for paying a separate and additional 25 percent payment to the state if the school division does not certify that at least 50 percent of the recommendations have been acted on or at least half of the savings of the efficiency review report have been realized within 24 months of receiving the final report. No payment is required of a participating school division also undergoing a division-wide academic review.

- **Department of Taxation**

  - *Reporting on Sales Tax Exemptions.* Provides one additional position and $72,400 GF the first year and $68,530 GF the second year for analysis and reporting on exemptions to the retail sales and use tax.

  - *Land Preservation Tax Credit.* Includes two additional positions and $327,573 GF the first year and $338,334 GF the second year to administer the Land Preservation Tax Credit and to secure independent appraisals for certain donations.

  - *Communications Sales and Use Tax.* Provides $1.0 million GF the first year, $273,100 GF the second year, and five positions to administer the collection of local communications sales and use taxes. The amendment also provides the department with a treasury loan to make modifications to its automated forms, databases, and compliance tools. The treasury loan will be repaid by a portion of the communication sales and use taxes collected by the agency.

  - *State Land Evaluation Advisory Commission.* Provides funding of $130,400 GF the first year and $45,700 GF the second year to develop a new program to calculate agricultural and horticultural land use values for local property tax adjustment programs.

  - *Earned Income Tax Credit.* Provides $128,325 GF the first year for the development of forms and software modifications necessary to capture information about Virginians' use of the federal earned income tax credit. According to a JLARC report, about 66,000 Virginians may be foregoing $175 million in federal earned income tax credit benefits.

  - *Transfer Master Tobacco Settlement Agreement Enforcement to Attorney General.* Transfers the agency's responsibilities for the enforcement of the Master Tobacco Settlement Agreement to the Office of the Attorney General. The transfer reduces the agency's budget by $339,923 GF each year and roughly increases the Attorney General's budget by a like amount.

  - *Tax Compliance Efforts.* Provides ten positions and $710,345 GF the first year and $695,010 GF the second year to increase tax compliance efforts. These efforts are projected to increase revenues by $15.8 million for the biennium.

  - *Public-Private Partnership Payments.* Reduces the agency's budget by $10.3 million NGF the first year and $12.8 million NGF the second year to accurately reflect the final payments due CGI-AMS under the terms of the tax partnership agreement.

- *Modify Application of "True Object Test".* Language is included modifying the use of the "true object test" when determining sales tax treatment for government contracts. Effective July 1, 2006, the department will make this determination based on the true object of each component of a contract (work order, statement of work, and task order) rather than on the underlying contract in its entirety. The change is the result of a pilot effort undertaken by the department in recognition of changes in the way the federal government writes contracts for goods and services.

- *Tax Clearance Program Implementation Study.* Language is included directing the agency to study the feasibility of requiring certification that all taxes have been paid prior to the issuance or renewal of a state license or permit. A report on the study's findings is due to the Governor and General Assembly prior to the 2007 Session of the General Assembly.

- **Department of the Treasury**

  - *Additional Staffing for Fund Trust Accounting.* Provides $36,264 GF, $36,266 NGF and one position the first year and $38,090 GF and $38,090 NGF the second year to provide financial reporting and trust accounting for various funds, including the Tobacco Indemnification and Community Revitalization Endowment and the Tobacco Settlement Financing Corporation.

  - *Administrative Support Staff.* Provides $39,666 NGF and one position the first year and $43,767 NGF the second year for administrative support of the Local Government Investment Pool and the Tobacco Endowment Fund.

  - *Constitutional Officers Insurance Coverage.* Includes language extending insurance coverage to constitutional officers and staff in administrative proceedings before the Equal Employment Opportunity Commission or the Virginia State Bar.

  - *Relief Bills.* Provides $836,792 GF the first year for three relief bills, including: $168,775 for the relief of Willie Neville Davidson, pursuant to Chapter 612, $438,598 for the relief of Phillip Thurman pursuant to Chapter 613, and $229,419 for the relief of Troy Hopkins, pursuant to Chapter 506 of the Acts of Assembly of 2006.

  - *Debt Service Changes Report.* Language is included requiring the department to report any changes in required general fund debt service payments based upon any refinancings, refundings, or issuance actions that may have been taken by the agency. In addition, the agency is to identify any anticipated changes in debt service requirement based on actions that will be taken in the next 24 months or

potential debt service savings that could be captured through refinancings, refundings, or other actions. This report is to be submitted quarterly.

- **Treasury Board**

  - *Amend Debt Service Needs for Existing Bond Issues.* Provides an increase of $28.7 million GF and a reduction of $145,277 NGF the first year and $77.7 million GF and a reduction of $146,791 NGF the second year to reflect current estimates of debt service needed for existing bond authorizations. Included in those amounts are $1.4 million GF the first year and $12.2 million GF the second year for the additional $201.9 million in debt authorized for the State Agency Radio System (STARS).

  - *Debt Service Needs for Higher Education Equipment.* Provides a net increase of $293,123 GF the second year to reflect the $9.2 million GF estimate for the first year of debt service on $103.4 million authorized for the purchase of higher education equipment.

  - *Purchase of Research Equipment for Higher Education.* Includes $6.1 million GF the second year to support the purchase of research equipment through the Higher Education Equipment Trust Fund. This funding is part of the legislative research package for higher education.

Health and Human Resources

The 2006-08 adopted budget for Health and Human Resources (HHR) provides a net increase of $912.1 million GF and $400.3 million NGF compared to the 2004-06 biennial budget (Chapter 951) adjusted for technical changes. This total reflects new biennial spending of $1,005.0 million GF and $505.5 million NGF offset by reductions of $92.9 million GF and $105.2 million NGF.

Of the general fund increase in HHR, 75 percent or $682.0 million is required to meet caseload and cost increases, address federal mandates, maintain services at current levels, and fund traditional high priority items. Biennial general fund increases are required to fully fund projected growth for Medicaid ($483.5 million), the Comprehensive Services Act (CSA) for at-risk youth and their families ($48.4 million), state and federally mandated adoption subsidy programs ($28.9 million), TANF assistance and child care ($14.8 million), and health insurance for low-income children ($11.7 million). In addition, $36 million is provided to offset an anticipated decline in tobacco revenues that are used to fund the Medicaid program.

Implementation of a prescription drug benefit (Part D) under the federal Medicare program is expected to result in a net general fund cost to the Commonwealth of $38.9 million during the biennium; the additional cost is the result of lower pharmaceutical manufacturer rebates and increased enrollment in the program.

Other high priority funding initiatives include prescription drugs for inpatient and outpatient consumers of the state's mental health, mental retardation and substance abuse services system ($15.0 million), modernization of the department's information system to ensure proper billing is completed for the new Medicare Part D program ($1.5 million), and replacement of critical food service equipment at state mental health and mental retardation facilities ($2.6 million).

One-half of new general fund spending in health and human resources is earmarked for mental health and mental retardation services. This initiative includes an increase of $126.2 million GF and $61.0 million from federal Medicaid matching funds to improve community investments in mental health and mental retardation.

New investments in community-based mental retardation services total $72.7 million GF and $61.0 million NGF. Significant initiatives include funding to: (i) expand mental retardation waiver services to 363 individuals living in state training centers and in the community, (ii) to eliminate the waiting list for mental retardation waivers for children under age six, (iii) to increase rates for mental retardation waiver services, (iv) to provide early intervention services for infants and toddlers, (v) to provide start-up funding for MR waiver services, and (vi) to provide guardianship services for individuals with mental retardation.

New investments in community-based mental health and substance abuse services amount to $53.6 million GF. Significant initiatives include funding to expand discharge assistance, divert individuals from state hospitals to community services, expand community-based recovery services, expand crisis stabilization services including substance abuse services, create two new "systems of care models" to provide mental health treatment to children and adolescents, expand mental health treatment for children and adolescents in juvenile detention centers, tailor services to individuals with mental illness who are involved with the criminal justice system, and pilot community-based treatment options for opiate addiction services.

The remaining discretionary spending in HHR includes an increase of $128.7 million GF to increase provider rates, primarily in the Medicaid program, for hospitals, trauma centers, nursing homes physicians, pediatric services, personal care services, and skilled nursing services as well as rates for auxiliary grant homes and local medical examiners ($51.0 million), expand health and social services for low-income families, pregnant women, and aged and disabled individuals as well as treatment and monitoring costs associated with the civil commitment of sexually violent individuals ($44.3 million), maintain agency operations by funding energy, insurance and other cost increases ($17.4 million), efforts to preserve access to health and social services through funding of safe drinking water projects and maintaining existing aging services provided by Area Agencies on Aging ($9.5 million), and promote efficient agency operations and cost-effective service delivery ($6.5 million).

General fund spending reductions are primarily concentrated in two areas: Medicaid ($18.9 million) and mental health, mental retardation and substance abuse services ($5.5 million). Medicaid savings are anticipated from the discharge of residents at Central Virginia and Southeast Virginia Training Centers as additional resources are provided to expand community-based services. Additional savings stem from the expansion of Medicaid Family Planning services, enhanced federal funds for prior authorization services and adjustments to appropriations for involuntary mental health commitments and supplemental assisted living payments. Finally, Medicaid savings are expected from more rigorous compliance audits for pharmacy, durable medical equipment, and home health services, and the implementation of a Specialty Drug Program for chronic diseases that require expensive medications to treat.

Savings are also anticipated at two mental health hospitals as patients are appropriately discharged into community programs and additional resources are provided to divert individuals with mental illness from state facility care. State facility savings are also expected to materialize in the future as new, and presumably more efficient, facilities replace aging structures that are proving costly to maintain.

- **Comprehensive Services Act for At-Risk Youth and Families (CSA)**

  - *CSA Caseload and Costs.* Adds $48.4 million GF and reduces $10.0 million NGF over the biennium to adjust funding for mandatory services for emotionally

disturbed special education and foster care children provided through the CSA program. Additional general funds will accommodate eight percent annual increases in the cost of services as well as higher caseloads. Nongeneral funds are reduced to reflect lower than expected Medicaid funding for services.

- *Community Development Infrastructure Grants.* Includes $250,000 GF in FY 2007 and $500,000 GF in FY 2008 for competitive grants to localities to encourage the development of community-based services as opposed to higher-cost residential services outside of the community.

- **Virginia Department for the Aging**

  - *Area Agencies on Aging (AAA) Hold Harmless Funding.* Adds $1.3 million GF each year to implement the AAA funding formula to reflect recently updated census data. Due to demographic shifts in the state, the previous formula would have reduced funding to rural AAAs and increased funding to urban AAAs. The addition of $1.3 million each year will hold rural AAAs harmless from reductions and accommodate the growth of the elderly population in urban areas. The department uses this formula to distribute state general funds and federal Older Americans Act funding to local Area Agencies on Aging each year. A special task force established by the 2005 General Assembly recommended this funding option.

  - *Increase Home-Delivered Meals for the Elderly.* Provides $375,000 GF each year to area agencies on aging to increase the number of meals delivered to home-bound elderly citizens by up to 1,795 each week.

  - *Bay Aging Area Agency on Aging.* Includes $300,000 GF each year to supplement private donations for the development of adult day break services provided by Bay Aging in cooperation with local churches. Adult day break services are designed to allow frail elderly and disabled individuals to receive care at home in order to prevent or delay their entry into a more expensive, institutional setting. Services may include health and social services as well as support services for the individual's caregiver.

  - *Expand Public Guardian and Conservator Program.* Provides $150,000 GF each year to expand the Public Guardian and Conservator Program to unserved regions of the Commonwealth. Funding will be used to extend services to elderly and disabled adults who have no resources, family or friends to provide guardianship services. As part of a larger mental health, mental retardation, and substance abuse services initiative, $720,000 in FY 2007 and $1.3 million in FY 2008 from the general fund is included for individuals with mental retardation who are also in need of guardianship services. Additional funding for this

program addresses the state's Olmstead Plan to strengthen community-based services for mentally disabled persons.

- *Senior Navigator Program.* Provides $150,000 GF each year to maintain support for the Senior Navigator program at $250,000 each year. During the 2004 General Assembly, $100,000 from the general fund was appropriated through the Department for the Aging for Senior Navigator, but an additional $150,000 from the general fund was provided through central appropriations. Funding will allow the initiative to continue its operations at $250,000 each year, consistent with funding appropriated by the 2005 General Assembly.

- **Department of Health**

Service Expansions

- *Drinking Water Construction Projects.* Provides $2.6 million GF each year to offset a reduction in federal funding for grants to local communities for drinking water infrastructure improvements. As a result of a recent federal funding formula change, Virginia's allocation of federal funding from the U.S. Environmental Protection Agency decreased by $2.6 million annually from $11.5 million to $8.9 million. The introduced budget added $5.0 million GF each year for drinking water construction projects in the Department of Health. Of this amount, the adopted budget provides $2.4 million GF annually in the Department of Housing and Community Development budget for safe drinking water and wastewater treatment projects.

- *Trauma Center Funding.* Includes $1.9 million GF each year for the Virginia Trauma Fund to offset uncompensated care losses for 14 Virginia hospitals with trauma centers. General fund support will supplement projected annual revenue to the fund of $4.2 million from fines paid by individuals convicted of two more DUI-related offenses within a 10-year period and fees from individuals applying for reinstatement of their licenses.

- *Expand Community Health Centers.* Provides $500,000 GF in FY 2007 and $750,000 GF in FY 2008 to the Virginia Primary Care Association to expand existing community health centers or develop new centers in underserved or disadvantaged regions of the Commonwealth. Budget language requires the Association to consult with the Virginia Health Care Foundation regarding funding allocation decisions.

- *Additional Funding for Health Care Safety Net Providers – Community Health Centers & Free Clinics.* Includes $175,000 GF each year to increase access to Virginia's 34 community health centers and $167,500 GF in FY 2007 and $175,000 GF in FY 2008 to expand services delivered through the Commonwealth's 47 free clinics. Previously, operating support for community health centers and free

clinics has been restricted to the purchase of prescription drugs; this additional funding can be used for other operating costs.

- *Expand Resource Mothers Program.* Adds $590,000 GF each year to maintain services for 2,200 recipients and expand services to 211 additional teenage mothers. The Resource Mothers program provides pregnant teens who are at high-risk of poor birth outcomes with prenatal care, post-partum care, and support through their child's first year of infancy.

- *Expand Breast and Cervical Cancer Screening Services.* Provides $405,176 GF each year to local health departments to expand breast and cervical cancer screening and diagnostic services to 2,144 low-income women. Funding for those women screened by the program who need breast and cervical cancer treatment is added to the budget in the Department of Medical Assistance Services.

- *Comprehensive Health Investment Program (CHIP) of Virginia.* Provides $396,000 GF each year to maintain services to 475 children by funding eight community workers previously funded with federal Title IV-E foster care prevention dollars. CHIP is currently funded with a combination of general funds ($175,000 each year) and federal TANF funds ($2.1 million each year). As funds shifted from general funds to TANF, other federal funding (e.g., Title IV-E foster care) that were expected to be available to local CHIP programs have not materialized.

- *State Pharmacy Assistance Program for HIV/AIDS.* Includes $300,000 GF each year to establish a state pharmacy assistance program for low-income Medicare Part D recipients on the Virginia AIDS Drug Assistance Program (ADAP). The new program is designed to assist individuals who have income between 135 and 300 percent of the federal poverty guidelines while simultaneously shifting costs from the ADAP program to the Medicare Part D program. The new program will enable recipients to transition through Medicare Part D's so-called "donut hole" where out of pocket expenses are the patient's sole responsibility and estimated to be $200 to $300 each month, allowing the patient to access Medicare Part D's catastrophic prescription drug coverage.

- *Virginia Health Care Foundation.* Provides $250,000 GF each year to expand the number of medication assistance coordinators across the Commonwealth to provide outreach assistance to low-income, uninsured persons living in medically unserved or underserved areas of the state who need help in obtaining free prescription drugs.

- *Virginia Cord Blood Bank Initiative.* Adds $250,000 GF the first year and $200,000 GF the second year to fund the Virginia Cord Blood Bank Initiative

pursuant to Chapters 636 and 735 of the 2006 Acts of Assembly. Funding will be used to contract with one or more facilities capable of storing "cord blood" that can be used for the treatment of life-threatening or debilitating conditions, the advancement of basic and clinical research, and for the treatment of victims of possible future terrorist attacks.

- ***Booster Tdap Vaccine for Children.*** Provides $22,386 GF and $819,826 NGF the first year and $280,110 GF and $840,288 NGF the second year to purchase the tetanus/diphtheria/pertussis or Tdap vaccine for children without insurance who are expected to seek vaccinations at local health departments pursuant to the passage of Chapter 716 and Chapter 364 of the 2006 Acts of Assembly. These new laws require that a Tdap booster be administered before a child enters the sixth grade if five years has elapsed since their initial vaccination. The department plans to use available balances to fully fund the program in the first year.

- ***Prenatal, Obstetrics, and Pediatric Pilot Project.*** Provides one-time, start-up funding of $150,000 GF in FY 2007 to develop prenatal and obstetrical care pilot projects in the Northern Neck and Emporia, where obstetrical departments have closed their doors at community hospitals. Funds will be used to establish a 501(c)(3) nonprofit corporation to administer the pilot projects, support the development of policies and protocols related to the pilot projects, identify options for medical malpractice insurance, and explore the feasibility of child-birthing centers.

- ***St. Mary's Health Wagon.*** Includes $100,000 GF in FY 2007 for the St. Mary's Health Wagon, a community-based health care provider serving the residents of Buchanan, Dickenson, and Wise counties. One-time funding of $75,000 from the general fund was provided for the program in FY 2006.

Improve Use of Technology and Information Systems

- ***Expand Use of Electronic Health Records.*** Adds $750,000 GF in FY 2007 and $800,000 GF in FY 2008 to encourage the development and use of electronic health records in the Commonwealth as a way to improve health outcomes and patient safety, and restrain the rising cost of health care services. Funds will be used to assist providers interested in adopting electronic health records ($500,000 the first year and $800,000 the second year), and develop a Master Patient Index ($250,000 one-time).

- ***Outpatient Data Reporting System.*** Adds $175,000 GF each year to increase funding for the administration of the patient level database developed and operated by Virginia Health Information (VHI). Additional funding will allow VHI to add health quality data to the reporting system consistent with the passage of Chapter 426, 2006 Acts of Assembly.

Local Health Department Improvements

- ***Improve Local Health Department Facilities.*** Provides $170,031 GF and $111,085 NGF each year to make improvements to local health department facilities in the counties of Dickenson, Fluvanna, Nelson, and Warren, and the City of Waynesboro. These localities have been identified by the Department of Health as having the top critical needs due to health, safety, and other structural deficiencies. Funding will be used to pay the additional lease costs associated with new or improved facilities in these communities.

- ***Local Health Department Grants for Interpreter Services.*** Provides $125,000 GF each year for grants to local health departments for linguistically appropriate translation and interpreter services. Communications barriers may be contributing to inadequate patient care and inefficient utilization of local health department resources.

- ***Local Health Department Lease Costs for Our Health.*** Adds $135,000 GF in FY 2008 for additional lease costs associated with co-locating health and human services in the City of Winchester's Our Health initiative. An additional $110,000 GF in FY 2008 is also included in the Department of Social Services.

- ***Recognize Richmond City Health Department as a State-operated Health District.*** This technical change adds $3.9 million NGF each year and 120 positions to reflect the City of Richmond's decision to revert the City's health department back to a state-operated health district to enhance the delivery of services. Nongeneral fund revenues reflect local health department match requirements, charges for health services, and federal grants.

- ***Lease Costs for Local Human Services Buildings.*** This language amendment allows the Commissioner of Health to request funding for the state's share of lease costs for the City of Suffolk and Portsmouth should these cities begin the construction of new human services buildings for the purposes of co-locating health and human services agencies. The Governor may consider the Commissioner's request when developing the next budget.

Administrative Improvements

- ***Rate Increase for Death Investigations.*** Adds $615,520 GF in FY 2007 and $648,740 GF in FY 2008 to increase the rate paid to medical examiners for death investigations from $50 to $150 per case. The low case rate currently paid by the Commonwealth has contributed to a decline in local medical examiners from 430 to 230 in the past ten years. This increase is designed to recruit and retain medical examiners in local communities, especially in 30 unserved counties.

- ***Chief Medical Examiner Death Investigators.*** Provides $195,000 GF each year and three positions within the Central District Office of the Office of the Chief

Medical Examiner in order to receive and screen death investigation calls 24/7 from local medical examiners and law enforcement officers. The Central District Office is currently on probation for staff deficiencies by the national accrediting organizations; this funding should satisfy the concerns.

- ***Additional Food Safety Inspectors.*** Adds $326,000 GF and $130,400 NGF each year to ensure food safety by adding eight additional restaurant inspectors in targeted regions of the Commonwealth. Growing communities served by local health districts such as Loudoun, Rappahannock, Thomas Jefferson, and Prince William have been unable to keep up with the demand for environmental health services, particularly restaurants inspections.

- ***Organ and Tissue Donor Registry.*** Provides $50,000 GF each year to the Virginia Transplant Council to maintain and operate the Virginia Organ and Tissue Donor Registry. The Virginia Transplant Council has been funding the registry without state funds since the appropriation was eliminated during the 2002 budget reductions.

Other Actions

- ***Replace NGF with GF for Physician Financial Incentive Programs.*** Adds $280,284 GF in FY 2007 and $560,568 GF in FY 2008 and reduces $280,284 NGF in FY 2007 and $560,568 NGF in FY 2008 to replace the financing of physician recruitment incentives from Board of Medicine physician license fee revenues with general funds. Physician license fees are intended to support the regulatory activities of the Board of Medicine. However, during the 2003 session, general fund support of loan repayment and scholarship programs was eliminated to achieve budget savings and replaced with physician fees in order to minimize program reductions. The scholarship and loan repayment programs are designed to encourage physicians to work in medically underserved areas, health professional shortage areas or government agencies in Virginia.

- ***Emergency Medical Services NGF Increase.*** Increases the nongeneral fund appropriation for emergency medical services by $1.7 million NGF in FY 2007 and $3.5 million NGF in FY 2008 to eliminate a transfer of a portion of the additional $2 surcharge on motor vehicle registrations passed during the 2002 General Assembly ($4-for-Life) to the general fund. The elimination of this transfer by FY 2008 will allow new statutory language passed by the 2004 General Assembly which realigned the funding formulas guiding the distribution of the $4-for-Life funding to take effect.

- ***Office of Vital Records NGF Increase.*** Increases the nongeneral fund appropriation for the Office of Vital Records by $1.3 million in the first year and $1.8 million in the second year to reflect additional revenue collected due to growing demand for vital record information and the elimination by the second

year of a transfer of a portion of vital records revenues to the general fund. Increased revenues for the program are anticipated to total $867,603 NGF each year. As a self-supporting program, these revenues are used to support services provided by the office. Demand has increased for state and federal identification information such as, birth and death records, and as a result of the Commonwealth's Legal Presence law and the federal Real ID Act.

- **Department of Health Professions**

  - *NGF for Investigative and Adjudication Costs.* Provides $1.6 million NGF in FY 2007 and $1.5 million NGF in FY 2008 to fund 14 new positions to investigate and assist in the adjudication of allegations of misconduct of health care practitioners. Funding will allow the department to address additional complaints resulting from legislation that increased the number of mandated reporters who must detail misconduct to the Board of Medicine and address a backlog of current cases. Additional nongeneral funds will be generated from current fee revenues or projected fee increases.

  - *Add Staff for Licensing Health Care Practitioners.* Adds $340,292 NGF in FY 2007 and $361,676 NGF in FY 2008 to add nine licensing and support positions, fund additional rent increases and provide for costs associated with accepting electronic payments. Additional nongeneral funds will come from current fee revenues or projected fee increases.

  - *Add Staff for Regulating Long-term Care Administrators.* Provides $201,823 NGF in FY 2007 and $191,823 NGF in FY 2008 and three positions to fund the costs associated with regulating long-term care administrators. Legislation passed during the 2005 session increased regulatory requirements of assisted living facilities. Nongeneral fund fee revenues will be generated as individuals seek licensure as long-term care administrators.

  - *Add Staff for Regulating Medication Aides.* Adds $115,946 NGF in FY 2008 and one position to assist the Board of Nursing in licensing medication aides pursuant to legislation passed by the 2005 General Assembly. Nongeneral fund fee revenues will be generated as individuals become licensed as medication aides.

  - *Eliminate NGF for Physician Financial Incentive Programs.* Reduces existing transfer of nongeneral fund physician fee revenues from the Board of Medicine to the Department of Health for the financing of physician recruitment incentives from $560,568 to $280,284 in FY 2007 and fully eliminates it in FY 2008. During the 2003 session, general fund support of loan repayment and scholarship programs was replaced with $560,568 from dedicated special revenues from physician's fees. This action reverses that action by phasing-in a restoration of

general fund support in the Department of Health for these incentives over two years.

- **Department of Medical Assistance Services (DMAS)**

Forecast-related Changes

– ***Medicaid Utilization and Inflation.*** Fully funds expected increases in enrollment and medical costs for the Medicaid program. Enrollment of low-income adults, children and pregnant women, which accelerated in FY 2001, appears to finally be moderating. While enrollment for this population grew by 12.9 percent in FY 2004 compared to the prior year, it is projected to grow less than four percent annually during the upcoming biennium. However, steady caseload growth for all Medicaid enrollees and the rising cost of health care services, including managed care payments, inpatient hospital services, and Medicare Part B premiums that are paid for low-income elderly recipients on Medicaid, require additional resources to fund the program's growth.

  Medicaid program costs are expected to grow by 7.0 percent in FY 2007 and 8.0 percent in FY 2008, considerably less than the double-digit growth experienced during the past two years. Projected increases in enrollment and costs require the addition of $164.6 million GF in FY 2007 and $319.0 million GF in FY 2008 from the general fund to maintain current services for eligible persons.

  Aggregate revenues to the Virginia Health Care Fund, which are dedicated to the Medicaid program and offset the need for general fund support, are expected to be slightly higher in the upcoming biennium. Compared to the previous fiscal year, revenues from the Master Settlement Agreement and Medicaid recoveries are expected to be higher but revenues from tobacco taxes are projected to fall. Medicaid recoveries are expected to increase each year in spite of the implementation of Medicare Part D, which will substantially reduce projected revenue from pharmacy rebates by $28.1 million for the biennium.

– ***Medicaid Impact of Medicare Part D (Federal Prescription Drug Benefit).*** Beginning January 1, 2006, Medicare beneficiaries began receiving, for the first time, outpatient prescription drugs under the program. Prior to the inclusion of a drug benefit under Medicare, most low-income elderly and disabled individuals who were eligible for Medicare and Medicaid (commonly referred to as "dual eligibles") received their prescription drugs through Medicaid.

  To avoid giving states a budget windfall and to reduce the cost of the new benefit to the federal government, federal law requires states to submit an unprecedented monthly payment to defray the cost of this program. The payment, known as the "clawback", was eliminated when the federal government recalculated the Commonwealth's monthly payment in February. A

smaller but sizeable general fund impact remains from implementation of the new prescription drug program.

The general fund impact of the Medicare Part D program is $18.0 million in FY 2007 and $21.0 million in FY 2008. Approximately two-thirds of the increase is due to projected losses of Medicaid rebates from drug manufacturers as recipients' drug costs move to Medicare and the department's ability to negotiate rebates with drug companies declines and one-third is expected from additional Medicaid enrollment due to publicity about the program and federal outreach efforts.

- ***Adjust Appropriation for Tobacco Tax Shortfall.*** Adds $18.0 million GF each year and reduces $18.0 million NGF each year from the Virginia Health Care Fund to reflect lower than anticipated tobacco tax revenues. The 2004 General Assembly created the fund with streams of revenues from tobacco taxes, the master tobacco settlement agreement, and Medicaid recoveries. Revenues from the fund are used to fund Medicaid services and generate federal matching dollars. Additional general fund appropriations are necessary to backfill the projected shortfall in tobacco tax revenues.

- ***Medicaid-related State Child Health Insurance (SCHIP) Low-Income Children Caseload Growth.*** Provides $2.8 million GF in FY 2007 and $5.3 million GF in FY 2008 and $3.8 million in FY 2007 and $8.3 million from federal matching funds to fully fund caseload growth for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level. The federal government matches Medicaid expenditures for these children at the same rate as that provided for the Family Access to Medical Insurance Security (FAMIS) program (about 65 percent). Projected monthly enrollment in Medicaid SCHIP is expected to grow by 18.5 percent from 33,899 in FY 2006 to 40,172 in FY 2008.

- ***FAMIS Caseload Growth.*** Increases funding by $246,869 GF in FY 2007 and $3.3 million GF in FY 2008 and $360,280 NGF in FY 2007 and $6.1 million NGF in FY 2008 from federal matching funds to address anticipated enrollment and cost increases for the FAMIS program. Monthly enrollment in FAMIS is expected to grow by 12.9 percent from 42,734 in FY 2006 to 48,255 in FY 2008.

Provider Rate Changes

- ***Increase Community-based Waiver Rates for the Mental Retardation (MR), Developmental Disabilities (DD), and Day Support (DS) Programs.*** Provides $17.4 million GF in FY 2007 and $17.4 million GF in FY 2008 and $17.4 million in FY 2007 and $17.4 million in FY 2008 from federal matching funds to increase the rates paid for mental retardation, developmental disabilities and day support

services not provided under other waiver programs by five percent and congregate living services provided under the MR waiver program by ten percent effective July 1, 2006. These increases are designed to maintain and expand community capacity for those individuals served through the MR, DD, and DS waiver programs.

- ***Increase Inpatient Hospital Reimbursement.*** Provides $7.5 million GF in FY 2007 and $8.4 million GF in FY 2008 and $7.5 million in FY 2007 and $8.4 million in FY 2008 from federal matching funds to increase inpatient hospital reimbursements by modifying a payment adjustment factor used in calculating the state's reimbursement. The current payment adjustment factor discounts 24 percent of allowable inpatient costs, thus reimbursing hospitals for about 76 percent of their costs. This added funding would allow the department to decrease the discount to 22 percent, resulting in increased reimbursements covering 78 percent of allowable costs for inpatient hospital services.

- ***Increase Pediatric Service Rates.*** Includes $3.3 million GF in FY 2007 and $6.7 million GF in FY 2008 and $3.7 million NGF in FY 2007 and $7.8 million NGF from federal Medicaid matching funds to increase pediatric service rates by five percent each year beginning on July 1, 2006; this increase is in addition to an increase of three percent effective July 1, 2007 for all Medicaid-funded physician services. Combined with the five percent increase that took effect on May 1, 2006, rates paid for pediatric services delivered by physicians and nurse practitioners or other providers will increase by a cumulative 19.2 percent over the span of 14 months. This targeted rate increase is designed to encourage the participation of pediatricians and other pediatric service providers to address the needs of children on FAMIS and Medicaid.

- ***Increase Payments to Nursing Facilities.*** Adds $3.9 million GF in FY 2007 and $4.0 million GF in FY 2008 and $3.9 million in FY 2007 and $4.0 million in FY 2008 from federal matching funds to increase the direct and indirect cost ceilings from 112 to 117 percent and 106.13 to 107.0 percent, respectively. Currently, the nursing facility reimbursement system places upper limits on allowable Medicaid costs. This change increases reimbursement for direct and indirect patient care costs provided by some facilities

- ***Modify Rate Setting Methodology for Skilled Nursing Facilities.*** Removes budget language adopted by the 2004 General Assembly that increased direct and indirect cost limits by $3.00 per day and replaces it with language that removes limits on nursing home administrator salaries, medical director fees and management fees. Budget language also raises indirect cost limits from 103.9 to 106.13 percent. Adjustments to the nursing facility reimbursement rates will be paid for with the increase provided in 2004.

Under current law, Medicaid will not reimburse nursing facilities for indirect costs that exceed established limits. Eliminating limitations specific to administrator's salaries and medical director's fees may encourage nursing facilities to increase salaries and fees to retain and recruit qualified physicians and administrators. Nursing facility reimbursement will still be subject to direct and indirect cost ceilings, which are increased in a separate budget initiative.

- ***Increase Reimbursement Rates for Physician Services.*** Adds $6.9 million GF and $7.3 million NGF from federal matching funds in FY 2008 to provide a three percent rate increase for physician services provided under Medicaid and FAMIS. With the exception of physician rates for obstetrical and gynecological (OB/GYN) services, emergency room care, and primary care and pediatric services, physician service rates have remained unchanged since 1991. Because OB/GYN services received a cumulative increase of 36.9 percent during the 2004-06 biennium, those reimbursement rates are excluded from this increase.

- ***Increase Medicaid Personal Care Payments.*** Includes $2.6 million GF and $2.6 million NGF from matching federal payments to increase agency and consumer-directed personal care payments under Medicaid Home- and Community-based Waiver Programs by three percent effective July 1, 2007. Services include personal care, respite, companion care and consumer-directed facilitator services. This additional funding will increase the hourly personal care rate from $14.33 to $14.76 in northern Virginia and $12.17 to $12.54 in the rest of the state. Prior to this action, personal care services provided under Medicaid increased by 7.1 percent in FY 2006 – five percent was provided on July 1, 2005 and an additional two percent on May 1, 2006.

- ***Medicaid Skilled Nursing Services Payments.*** Provides $722,177 in FY 2007 and $765,507 in FY 2008 from the general fund and an equal amount of federal matching funds to increase the rates paid for skilled nursing service under the Medicaid technology assisted home- and community-based waiver program and the HIV/AIDS home- and community-based waiver program by five percent on July 1, 2006. The hourly rate for private duty and skilled nursing services provided under the waiver will increase from $30.00 to $31.50 for Registered Nurses (RNs) and from $26.00 to $27.30 for Licensed Practical Nurses (LPNs) in northern Virginia and from $24.70 to $25.94 for RNs and $21.45 to $22.52 for LPNs in the rest of the state.

- ***Medicaid Impact of Auxiliary Grant Increase.*** Adds $1.0 million GF and $1.0 million NGF from federal Medicaid matching funds in FY 2008, reflecting additional caseload growth as a result of the increase in the auxiliary grant rate from $982 to $1,010 contained in the Department of Social Services. Specifically,

individuals with monthly income between $982 and $1,010 will become eligible for Medicaid-funded services effective July 1, 2007.

- ***Increase Reimbursement Rates for Adult Day Care Services.*** Adds $48,476 GF in FY 2007 and $91,197 GF in FY 2008 and an equivalent amount of federal matching funds to increase the rates paid for adult day health care services by five percent effective January 1, 2007. Under current law, adult day care services received a two percent increase on May 1, 2006. As a result of these increases, adult day health care rates will rise to $50.61 per day in Northern Virginia and $48.41 in the rest of the Commonwealth in FY 2008.

Service Expansions

- ***Add 363 New Mental Retardation Waiver Slots.*** Adds $20.9 million GF and $20.9 million from federal matching funds to add 363 new MR waiver slots as part of the mental retardation restructuring initiative.

- ***Eliminate Urgent Care Waiting List for MR Waiver Services for Children under Age 6.*** Provides $2.5 million in FY 2007 and $2.9 million in FY 2008 from the general fund and an equivalent amount of federal matching funds to create 110 new MR waiver slots for children under the age of 6 who have mental retardation and are on the urgent care waiting list. This initiative is part of the mental retardation restructuring initiative.

- ***Expand Children's Health Insurance (FAMIS Moms).*** Adds $1.2 million GF in FY 2007 and $1.6 million GF in FY 2008 and $2.3 million NGF in FY 2007 and $3.0 million NGF in FY 2008 from federal matching funds to increase the eligibility for the FAMIS Moms program from 150 to 166 percent of the federal poverty guidelines. The program is designed to increase women's access to prenatal care, improve birth outcomes, and reduce uncompensated care at hospitals. The amendment also clarifies that women who are not eligible for Medicaid for non-financial reasons are eligible for the FAMIS Moms program, provided they meet income guidelines.

- ***Increase Developmental Disabilities Waiver Program by 65 Slots.*** Includes $656,209 GF in FY 2007 and $1.0 million GF in FY 2008 and an equal amount of federal Medicaid matching funds to phase in the addition of 65 waivers under the Medicaid Individual and Developmental Disabilities Support Waiver Program often called the DD waiver program.

- ***PACE Program and Start-up Costs.*** Provides one-time funding of $1.5 million GF in FY 2007 for start-up grants to establish Programs for the All-Inclusive Care of the Elderly or PACE sites. PACE programs integrate Medicaid and Medicare funding in order to meet the range of needs of frail citizens 55 and over who are at risk of nursing home care. PACE programs may provide a more cost-effective

approach to serving the long-term care needs of Virginia's aged. Budget language also authorizes the department to develop a plan to integrate acute and long-term care and develop and implement regional models of integrated care.

- ***Increase the Personal Maintenance Allowance (PMA) for Community-based Medicaid Waivers.*** Provides $1.3 million GF and $1.3 million NGF from federal matching funds each year to increase the personal maintenance allowance for individuals enrolled in Medicaid home- and community-based waivers from 100 percent to 165 percent of the Supplemental Security Income (SSI) payment standard. The net effect of this change is to allow individuals on Medicaid waivers to retain up to $392 more of their monthly income for rent, utilities and food. Under current law, this amount would be kept by Medicaid to offset the recipient's cost of care. Allowing waiver-eligible individuals to keep more of their income for housing-related costs, which is not included in Medicaid waivers, should make housing more affordable for disabled individuals. The increase in the PMA does not apply to individuals served by the HIV/AIDS waiver, the mental retardation and developmentally disabilities waivers, and the consumer-directed elderly and disabled waiver. The HIV/AIDS waiver does not have a patient pay amount, while the MR and DD waivers already make allowances for recipients to retain more of their income.

- ***Medicaid Impact of Expansion of Breast and Cervical Cancer Screening Program.*** Adds $695,417 GF and $2.0 million NGF from federal matching funds each year to expand health care treatment services for women identified through expansion of breast and cervical cancer screenings in the Department of Health. Federal law requires state Medicaid programs to provide treatment services for women who are diagnosed with breast and cervical cancer through the Department of Health's screening program.

- ***Implement Medicaid Buy-in Program.*** Includes $170,286 GF in FY 2007 and $462,652 GF in FY 2008 and an equal amount of federal Medicaid matching funds to implement a Medicaid Buy-In Program on January 1, 2007, pursuant to Chapter 489 of the 2003 Acts of Assembly. The buy-in program is designed to encourage current Medicaid recipients or individuals who meet the income eligibility requirements for blind and disabled individuals who have income that does not exceed 80 percent of the federal poverty guidelines to earn income and maintain health care services under the Medicaid program. The program will include cost sharing provisions. Additional funding also provides two positions.

Administrative Improvements

- ***Implement Specialty Drug Program.*** Reduces the general fund by $593,040 in FY 2007 and $770,111 in FY 2008 and nongeneral funds by $593,040 in FY 2007 and $770,111 in FY 2008 by creating a specialty drug program to control the cost of certain high-priced prescription drugs used to treat chronic conditions. The

program will use pharmacists, registered nurses, and patient-care representatives to manage prescriptions that require special administration, refrigeration or handling. Specialty drug programs are largely mail-order businesses that rely upon professional clinical support to manage chronic illnesses.

- *Outsource Compliance Audits for Various Services.* Provides net savings of $350,000 GF in FY 2007 and $728,000 GF in FY 2008 and $350,000 NGF in FY 2007 and $728,000 NGF in FY 2008 as a result of contracting out compliance audits for Medicaid services such as, home infusion services, home health, durable medical equipment, and pharmacy services. Because provider agreements are complex and claims are processed manually, these services have been identified as vulnerable to fraud and abuse. Limited resources have inhibited the department from conducting comprehensive compliance audits. Outsourcing this function is expected to result in savings net of administrative costs.

- *Outsource Payroll Processing for Consumer-directed Personal Attendant Services.* Adds $1.8 million GF in FY 2007 and $2.0 million GF in FY 2008 and an equal amount of federal matching funds to contract with a fiscal agent to provide payroll processing services for personal attendants that deliver long-term care services at the direction of eligible waiver recipients. Growth in consumer-directed personal attendant services has outstripped the capacity of the department to efficiently manage payroll processing. The department will contract with an outside vendor to assume responsibility for this function.

- *National Provider Identifier Initiative.* Adds $497,293 GF in FY 2007 and $207,368 GF in FY 2008 and $3.6 million NGF in FY 2007 and $1.0 million NGF from federal matching funds for the cost associated with updating information technology systems to include National Provider Identifier fields for all Medicaid provider files. Beginning in May 2007, all required health plans and medical providers must use a standard federal identifier for all electronic transactions.

Other

- *Reduces Medicaid Reimbursement for Mental Retardation Training Centers.* Reduces $2.8 million in FY 2007 and $6.4 million in FY 2008 from the general fund and an equal amount of federal matching funds to reflect a gradual discharge of residents from Southeastern and Central Virginia Training Centers as additional resources are provided to expand community-based services to persons with mental retardation.

- *Medicaid Family Planning Waiver.* Includes a net general fund reduction of $2.4 million and an equal amount of federal Medicaid matching funds for the biennium, as a result of extending coverage of family planning services to individuals with income under 133% of poverty who are ineligible for full Medicaid benefits. The expansion of Medicaid family planning services in other

states has shown to avert unintended births, resulting in savings to the Medicaid program of approximately $4,900 per case. Covered services, which are estimated to cost $600 per individual, may include gynecological exams, breast and cervical cancer screenings, contraceptive counseling, sexually transmitted disease testing and referrals for pregnancy and prenatal care. No funds may be used to support abortion services.

- *Prior Authorization Contract Savings.* Reduces $1.2 million GF each year and increases $1.2 million NGF to reflect an adjustment to the federal Medicaid matching rate from 50 to 75 percent for prior authorization services. Increasing the federal matching rate results in annual general fund savings of $1.2 million.

- *Adjust Appropriation for Involuntary Mental Health Commitment Fund.* Reduces $1.0 million GF each year from an appropriation to the Involuntary Mental Health Commitment Fund to adjust the appropriation to the level of recent spending. The fund is used to reimburse hospitals for emergency and psychiatric services associated with temporary detention order. A separate language amendment will allow licensed health care providers to be reimbursed for medical screenings and assessment services while an individual is being held in emergency custody before admission to a psychiatric unit; this change is effective July 1, 2006.

- **Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)**

Mental Health Restructuring

- *Mental Health Services.* The adopted budget adds $25.7 million GF the first year and $27.8 million GF the second year for initiatives to continue restructuring the mental health system from a facility-based to a community-based system. Funding will be used to pay for community services which will allow: (1) a reduction of inpatient beds at Eastern State Hospital and Western State Hospital, (2) discharge assistance for individuals in inpatient facilities across the state, (3) diversion of patients from state inpatient treatment to community care, (4) expansion of substance abuse crisis stabilization services, (5) expansion of system capacity to serve children and adolescents, (6) development of alternative treatment services for individuals with opiate addition, and (7) diversion of mentally ill individuals from local jails. Details on the initiative are contained in the following table.

Mental Health Restructuring

($ in millions)

Adopted Initiatives	FY 2007	FY 2008
Community diversion-Eastern State Hospital area*	$4.8	$6.9
Community diversion-Western State (WSH)and Northern VA Mental Health Inst. (NVMHI) areas*	6.0	6.0
Expand crisis services/Add 2 crisis units to divert patients w/sub. abuse disorders from state facilities	4.7	4.7
Statewide targeted community-based services*	3.7	3.7
Statewide discharge assistance at state facilities	2.9	2.9
Discharge Assistance at WSH and NVMHI	0.6	0.6
Add 2 "systems of care" model projects for emotionally disturbed children and adolescents	1.0	1.0
Expand mental health treatment for children and Adolescents in juvenile detention centers	1.0	1.0
Alternative treatment pilots for opiate addiction	0.5	0.5
Mental health services for jail diversions	0.5	0.5
Total	**$25.7**	**$27.8**

* Community services may include: discharge assistance planning, inpatient treatment, in-home residential support, jail-based hospital diversion projects, psychiatric evaluation, crisis counseling, and expanded case management services.

- ***Reduce Operating Costs at Eastern and Western State Hospitals.*** Reduces $1.6 million GF in FY 2007 and $4.0 million GF in FY 2008 and 62 positions at two mental health hospitals in anticipation of operating savings from decreasing the census through restructuring efforts and rebuilding the facilities with a more efficient design. The redesigned facilities should promote a more efficient and effective use of staff in caring for patients. Staffing reductions are expected to result from vacancies and turnover, rather than layoffs.

- ***Facility Replacement and Operations.*** Adds language allowing the department to consider the use of public-private partnerships to deliver mental health and mental retardation services in facilities that are being planned for renovation or replacement, including facility operations, unless the department can

demonstrate that continued state operation of the facility is at least as cost effective and provides at least an equivalent or higher level of quality care.

- ***Mental Health Services for Juveniles in Detention Centers.*** Adds language clarifying that funding used to provide expanded mental health services to juveniles detained in local community detention centers shall be allocated based on Memoranda of Understanding (MOU) between the detention superintendent and the executive director of the local community services board or behavioral health authority that will provide the services. The MOU is to specify the types of services to be provided and estimated workloads of staff. Language directs the department to review the MOU and allocate funding based on the projected level of services to be provided.

- ***Report on Local Zoning Ordinances.*** Adds language requiring the department to work with the Department of Housing and Community Development to report on the extent to which local zoning ordinances accommodate innovative housing initiatives for the benefit of Virginians with mental illness.

Mental Retardation (MR) Restructuring

- ***Mental Retardation (MR) Services.*** The adopted budget provides a total of $33.0 million GF and $27.3 million NGF the first year and $39.7 million GF and $33.7 million NGF the second year to continue restructuring the mental retardation system from a facility-based system to a community-based system. The general and nongeneral funds for this initiative are from federal Medicaid matching funds which are contained in the budget for the Department of Medical Assistance Services (DMAS).

  Funding will be used to pay for community services which will allow for: (1) an increase in Medicaid MR waiver rates to maintain and expand community capacity for those individuals served through the waiver program, (2) 214 additional Medicaid MR waiver slots in the community, (3) 149 additional Medicaid MR waiver slots to transition 52 residents at Southeast Virginia Training Center (SEVTC) and 97 residents at Central Virginia Training Center (CVTC) into the community, (4) start-up costs for new MR waiver slots, (5) guardianship services for mentally retarded individuals in state facilities or at risk of placement in state facilities, (6) elimination of the MR waiver waiting list for children under age 6, and (7) expansion of early intervention services to serve 1,429 infants and toddlers with developmental delays who are currently on the waiting list for services.

  The table below details funding for this initiative and includes funding provided to the Medicaid program through the Department of Medical Assistance Services.

Mental Retardation Restructuring

($ in millions)

Proposed Initiatives	FY 2007 GF	FY 2007 NGF*	FY 2008 GF	FY 2008 NGF*
Medicaid MR Waiver Rate Increases: 10% for congregate living services, 5% for other services*	$17.4	$17.3	$17.4	$17.4
214 Community Medicaid MR Waiver Slots: 124 in FY 2007 and 90 in FY 2008*	3.8	3.8	6.6	6.6
Community Medicaid MR Waiver Slot Start Up Costs: $4,000 per slot	0.6		0.3	
CVTC: MR waiver slots–52 in FY 2007 and 45 in FY 2008*	2.4	2.4	4.4	4.4
CVTC: Start-up costs for MR waiver slots–$4,000 per slot	0.2		0.2	
SEVTC: MR waiver slots–28 in FY 2007 and 24 in FY 2008*	1.3	1.3	2.4	2.4
SEVTC: Start-up costs for MR waiver slots–$4,000 per slot	0.1		0.1	
MR Guardianship Services	0.7		1.3	
Eliminate MR Waiver waiting list: children under age 6*	2.5	2.5	2.9	2.9
Early intervention services for infants & toddlers	4.0		4.1	
Total Mental Retardation Restructuring	**$33.0**	**$27.3**	**$39.7**	**$33.7**

* Funds for these MR initiatives are budgeted in the Medicaid program through the Department of Medical Assistance Services.

– ***Reduce Operating Costs at Southeastern and Central Virginia Training Centers.*** Reduces $5.6 million NGF in FY 2007 and $12.9 million NGF in FY 2008 and 134 positions at two mental retardation training centers in anticipation of savings from decreasing the census through restructuring efforts and rebuilding the facilities with a more efficient design to achieve operational savings, including staffing efficiencies. The reduced nongeneral funds represent adjustments from matching federal Medicaid funds for individuals who will be transitioned to community care. Commensurate increases in matching federal Medicaid dollars are appropriated in DMAS for the care of these individuals in the community. Staffing reductions are expected to result from vacancies and turnover, rather than layoffs.

Funding for MHMR Facilities

– ***MH Facility Revenue Shortfall.*** Adds $3.4 million GF and reduces $3.4 million NGF each year to reflect the loss of patient revenues from third party payers at the state's mental health facilities. The additional general fund dollars are

provided through the transfer of excess revenues at the state mental retardation training centers.

- *Transfer Excess MR Facility Revenue to MH Facilities to Address Shortfall.* Reduces $3.4 million GF and increases $3.4 million NGF each year at the state mental retardation training centers in order to transfer excess funds to address the shortfall in revenue at state mental health facilities. The additional nongeneral funds reflect the estimated amount of additional third party revenues which are expected to be collected by the training centers during the biennium.

- *Fund Shortfall in Facility Medications.* Proposes an increase of $4.2 million GF in FY 2007 and $5.0 million GF in FY 2008 to address a shortfall in funding prescription drugs provided through state facilities to individuals with mental illness and mental retardation. The cost of facility medications is expected to rise by 8 percent annually in FY 2007 and FY 2008. The rising cost of pharmaceuticals in state facilities is attributable to the escalating costs of medications, and the increasing medication needs of consumers with chronic medical conditions.

- *Replace Food Service Equipment at MHMR Facilities.* Provides $859,698 GF in FY 2007 and $1.7 million GF in FY 2008 to replace outdated food service equipment at nine mental health and mental retardation facilities. The equipment will be financed over a 10-year period through the Master Equipment Lease Program. The department uses a cook-chill method to provide food service at its facilities. This method requires special equipment to rapidly chill cooked food and keep it safely refrigerated for longer periods of time.

- *Develop Career Ladder for Direct Services Workers in State Facilities.* The adopted budget includes $148,658 GF in FY 2007 and $811,861 GF in FY 2008 to develop a career ladder for direct service workers in mental health and mental retardation facilities. Turnover of direct service workers is more than double the statewide average of 11.1 percent. The implementation of a career ladder will provide for base salary adjustments for the successful completion of education and training with the goal of improving client care and decreasing excessive facility overtime costs.

Funding for Civil Commitment of Sexually Violent Predators

- *Sexually Violent Predator (SVP) Facility Operating Costs.* Provides $1.4 million GF in FY 2007 and $8.8 million GF in FY 2007 for SVP facility operating costs to accommodate approximately 152 new civil commitments over the biennium. The new commitments are projected based on legislation passed during the 2006 Session which added offenses that qualify as sexually violent offenses for purposes of sentencing and changed the instrument used to identify prisoners to be reviewed for civil commitment. Funding may be used for increased operating costs at the existing Virginia Center for Behavioral Rehabilitation (VCBR) in

Dinwiddie County to accommodate increases in the number of residents civilly committed and for operation of new 300-bed facility in Nottoway County beginning October, 2007.

- *SVP Services.* Adds $647,050 GF in the first year and $903,050 GF in the second year services related to the civil commitment of sexually violent predators. Of these amounts: (1) $506,250 each year will be used to pay for clinical evaluations and court testimony for sexually violent predators who are being considered for release from state correctional facilities, and who will be referred to the Clinical Review Committee for psycho-sexual evaluations prior to the state seeking civil commitment; (2) $101,200 in the first year and $285,200 in the second year will be used to supplement existing appropriations of $325,000 each year for conditional release services, including treatment; and (3) $39,600 the first year and $111,600 the second year will be used to closely monitor the movements of individuals who are civilly committed to the sexually violent predator program, but conditionally released, with a Global Positioning System service.

- *SVP Administrative Funding.* Provides $200,000 GF the first year and three positions and $300,000 GF the second year and four positions for staffing and administrative costs for the operation of the Office of Sexually Violent Predator Services, pursuant to Chapters 681, 863 and 914 of the 2006 Acts of Assembly. Additional staff will provide oversight for the SVP program and monitor compliance with treatment requirements for individuals who are conditionally released. The department was not provided central office staff to implement and oversee the program when it was initiated in 2003.

- *Contracting Operations of the SVP Facility.* Adds language allowing the department to consider contracting for the operation of the SVP program including facility services through a public-private partnership or Request for Proposal, using criteria developed by the department, unless the department can demonstrate that continued state operation of the facility is at least as cost effective and provides at least an equivalent or higher level of quality care than operation by a private entity.

- *Authority for Out-of-State SVP Services.* Adds language authorizing the Commissioner to seek specific services from other states in the event that such services are not available in the Commonwealth for individuals who are committed for treatment at the SVP facility or are conditionally released.

Administrative Improvements

- *Fund Shortfall in Community Aftercare Pharmacy.* Adds $2.0 million GF in FY 2007 and $3.8 million GF in FY 2008 to address a shortfall in funding of prescription drugs, provided to individuals with mental illness served by Community Services Boards (CSBs) through the Aftercare Pharmacy program. A

portion of the increased costs are due to the higher costs of newer medications which have fewer and less severe side effects for many individuals. It is anticipated that new medications will improve drug regimen compliance and decrease inpatient hospital costs.

- ***Enhance Billing for Medicare Part D Program.*** Proposes $759,000 GF each year to cover costs associated with the implementation of the federal Medicare Part D prescription drug benefit. Funding will be used to contract with nine pharmacy technicians to handle billing for prescriptions purchased by state mental health and mental retardation facilities through an approved Medicare Part D prescription drug plan.

- ***Add Architecture and Engineering Services Staff.*** Adds $285,541 GF each year and three positions in the Office of Architecture and Engineering Services. The new positions will oversee capital and building permit projects, facility physical plant services, and food service and dietary operations compliance with federal and state standards.

- ***Add Licensing Staff.*** Provides $213,904 GF and $34,224 NGF each year to add three inspectors in the Office of Licensing for added workload associated with statutorily-required responsibilities such as, licensing, inspecting and investigating complaints of providers of mental health, mental retardation, substance abuse, and brain injury services. The number of providers required to be licensed by the department has increased by about 65 percent since FY 2001, while the number of inspectors has increased by 25 percent.

- ***Transfer Community Integration Advisory Commission Funding to the Virginia Board for Persons with Disabilities.*** Transfers $151,600 GF each year to permanently fund staff and expenses related to the continued activities of the Community Integration Advisory Commission, pursuant to Chapter 894, 2006 Acts of Assembly. The Commission was originally convened as a task force and then advisory committee to develop a plan for serving persons with disabilities in accordance with the *Olmstead* decision.

- ***Improve Medical Screening Process for Individuals with Temporary Detention and Emergency Custody Orders.*** Adds language requiring the Department to work with key partners such as community services boards, hospitals and emergency room physicians to develop a consensus around the best practice for medical screening and assessment of individuals who are subject to emergency custody and temporary detention orders.

- **Department of Rehabilitative Services**

  - *Long Term Employment Support Services.* Provides an additional $763,550 GF each year for long-term employment support services for individuals with severe disabilities.

  - *Expand Brain Injury Services.* Provides an additional $725,000 GF each year to expand brain injury services to individuals in unserved or underserved regions of the Commonwealth. Language is added requiring the department to consider the recommendations of the Virginia Brain Injury council when allocating new funds for brain injury services.

  - *Brain Injury Services in Southwest Virginia.* The adopted budget adds $285,000 GF each year to fund two positions and serve individuals with brain injuries in Southwest Virginia. Funding will be used to expand case management and service coordination in Southwest Virginia.

  - *Brain Injury Case Management Services.* Adds $150,000 GF each year to expand case management services for individuals with brain injuries in unserved or underserved regions of the Commonwealth

  - *Centers for Independent Living.* Adds $320,000 GF each year to expand services provided by Centers for Independent Living to disabled individuals, such as peer counseling, independent living skills training, advocacy, and information and referral services.

- **Department of Social Services**

  Federal and State Mandated Programs

  - *Mandatory Adoption Subsidy Payments.* Adds $12.5 million GF in FY 2007 and $16.4 million GF in FY 2008 and reduces nongeneral funds by $1.8 million in FY 2007 and $1.4 million in FY 2008 for caseload and cost increases in the adoption subsidy program. Expenditures for the program have grown significantly in recent years, largely due to rapidly growing number of special needs adoptions and uncontrolled costs associated with these adoptions. Funding will be used to meet ongoing contractual obligations with adoptive parents for services to children with special needs and expected increases in caseload.

    Language is added requiring the department, in collaboration with Virginia League of Social Services Executives and the executive director of the Office of Comprehensive Services, to conduct a comprehensive study of the policies and procedures guiding special needs adoption subsidies. The study is to focus on the cause of recent expenditure increases and make recommendations on changes to moderate growth while meeting the needs of affected children. The study findings are to be submitted to the House Appropriations and Senate

Finance Committees, and the Department of Planning and Budget by June 1, 2007.

Language is also added to continue the Task Force on Adoptions adopted in Chapter 2 of the 2006 Special Session I Acts of Assembly (2004-06 amended budget) using any unexpended funds for that purpose to complete the Task Force work.

- ***Add GF to provide day care needs of VIEW participants and address TANF shortfall.*** The adopted budget adds $6.8 million GF and $3.0 million NGF in FY 2007 and $8.0 million GF and $4.5 million NGF in FY 2008 to provide child day care for TANF participants in the Virginia Initiative for Employment Not Welfare (VIEW) program and address a shortfall in TANF spending. The adopted budget realigns spending in the Temporary Assistance to Needy Families (TANF) block grant to provide TANF benefits to an increasing number of working families who are eligible for child care. The adopted changes to the TANF spending plan assume that caseload growth will increase demand for child care services in FY 2007 and in FY 2008.

- ***Fund VITA Costs for Eligibility Determinations.*** Provides $2.6 million GF in FY 2007 and $4.3 million GF in FY 2008 for increased mainframe data processing costs to determine eligibility for the Temporary Assistance to Needy Families, Food Stamp, and Medicaid programs.

Service Improvements or Expansions

- ***Creation of Early Childhood Foundation.*** The adopted budget adds $1.0 million GF in FY 2007 and $1.5 million GF in FY 2008 to create an Early Childhood Foundation. The Foundation would be modeled on the Virginia Health Care Foundation as a public-private partnership to develop community programs with the goal of improving the health, safety and well-being of young children in Virginia. Funds will be used to make grant awards to seed community programs to be matched by local public and private sources. Language is added to require the Foundation to account for state funding, provide a certified audit and report on initiatives and results by October 1 of each year.

- ***Community Action Agencies.*** Increases funding by $914,786 GF in each year for Community Action Agencies to expand services to low-income individuals.

- ***Funding for Healthy Families Virginia.*** Provides an additional $247,979 GF each year of the biennium to expand services to parents of children from birth to age five who are at-risk for child abuse and neglect. The program seeks to promote positive parenting, improve child health and development, and reduce child abuse and neglect. Language is added to reflect the additional funding of $259,980 GF annually provided during the 2004-06 biennium for Healthy

Families in Central Accounts, and the funding is appropriated in the department to reflect this change.

- ***Increase Assisted Living Facility Payments and Personal Care Allowance.*** Adds $960,224 GF in the second year to increase the maximum payment allowed under the Auxiliary Grant Program from $982 to $1,010 each month. Language is modified to reflect the payment change and the change in the personal care allowance from $62 to $70 per month as adopted in Chapter 2 of the 2006 Special Session I Acts of Assembly (2004-06 amended budget).

- ***Fund Implementation of 2-1-1 System.*** The adopted budget provides $250,000 GF and $144,100 NGF each year to expand the current Information and Referral System to include the use of a three-digit telephone number (2-1-1) to obtain information on and referral to needed health and human services available in the community. Funding will be used to operate the 2-1-1 System and to expand the hours of operation from 8:30 a.m. to midnight seven days per week.

- ***Earned Income Tax Credit Mini-Grants.*** Adds $230,000 GF each year to support and expand efforts through the Virginia Community Action Partnership to help eligible Virginia citizens to claim the federal Earned Income Tax Credit (EITC) on their federal tax returns through the Virginia Earned Income Tax Coalition. Funding will be used to assist 18 volunteer coalitions and establish up to four new coalitions to assist low-income families in taking advantage of the federal EITC. Language is added to require the Virginia Community Action Partnership to report on its efforts to expand the number of individuals who could benefit from the federal EITC.

- ***Increase Caregivers Grant Program Funding.*** Adds $150,000 GF each year for the Virginia Caregivers Grant Program. Funding for the program will increase from $350,000 to $500,000. The program provides up to $500 each year for caregivers who have annual income less than $50,000 and who provide unreimbursed care for a person who is aged, infirm or disabled.

- ***Tri-County Community Action Agency.*** Provides $50,000 GF in FY 2007 and $100,000 GF in FY 2008 to ensure that adequate resources are available in Charlotte and Mecklenburg counties to provide appropriate services. Additional state funding was not provided to these jurisdictions despite their addition to the Tri-County organization and changes to the statewide Community Action Agency funding formula did not remedy the disparity.

- ***Putative Father Registry.*** Adds $50,000 GF and $133,297 NGF in FY 2007 and $135,265 NGF in FY 2008 to establish and operate a putative Father Registry, pursuant to Chapter 825, 2006 Acts of Assembly. Legislation adopted by the 2006 General Assembly requires any man who desires to be notified of an

adoption proceeding regarding a child he may have fathered to participate in the registry. If he fails to do so, he loses his right to object to the adoption. Future operating costs will be partially offset by a $50 filing fee.

- *Increase Coordination for Emergency Assistance.* Provides $50,000 GF in the first year to the Office of Community Partnerships in the department to coordinate responses to natural disasters and emergencies. The Office will support and coordinate the relief efforts of faith-based and community organizations during natural disasters or other emergencies and serve as an information clearinghouse for non-profit groups prior to such events.

Other Actions

- *Add Funds for Comprehensive Services Act (CSA) Administration.* The adopted budget adds $120,525 GF each year and one position for support of the executive director position in the Office of Comprehensive Services. Previous funding for the position was absorbed within the agency to create a Chief Financial Officer position for the CSA program.

- *Local Department of Social Services Lease Costs at Our Health.* Provides $110,000 GF in the second year for the state's share of the local social services department's lease costs associated with the occupancy of new space in Our Health, a multi-agency human services building located in the City of Winchester.

- *Review Requests for New or Renovated Facilities.* Adds language requiring the department to develop criteria to prioritize funding requests by localities to address space needs of local departments of social services, including consolidated human services buildings. The department is required to submit a list of prioritized projects each year to the Secretary of Health and Human Resources and the Department of Planning and Budget for consideration by the Governor in the development of the Budget and to forward the list to the Chairmen of the House Appropriations and Senate Finance Committees.

- **Virginia Board for People with Disabilities**

  - *Transfer Funding for Community Integration Advisory Commission.* Transfers $151,600 GF each year from the Department of Mental Health, Mental Retardation and Substance Abuse Services to permanently fund staff and expenses related to the continued activities of the Community Integration Advisory Commission, pursuant to Chapter 894, 2006 Acts of Assembly. The Commission was originally convened as a task force and then advisory committee to develop a plan for serving persons with disabilities in accordance with the *Olmstead* decision.

Natural Resources

The approved budget for the 2006-2008 biennium for the Natural Resources secretariat includes a total of $425.3 million in general fund (GF) spending and $415.0 million in nongeneral fund (NGF) spending. This includes net increases of $231.1 million GF, or 119 percent, and $17.3 million NGF, or 4.4 percent, when compared to the adjusted appropriations for current operations.

Water quality and related issues comprise almost the entire general fund increase included in the approved budget. Funding provided to the Department of Environmental Quality (DEQ) represents the majority (95.7 percent) of this increased spending, as is shown in the table below.

DEQ Water Quality Initiatives
($ in millions)

Approved Initiatives	Dollars
Upgrade wastewater treatment plants in Chesapeake Bay region	$200.0
Upgrade wastewater treatment plants in Southern Rivers region	12.8
Support James Rivers Combined Sewer Overflow projects	3.8
Increase monitoring of Chesapeake Bay waters	2.0
Increase biological monitoring and development of TMDL plans	1.4
Improve management of groundwater supply in coastal Virginia	0.9
Investigate fish kills in Shenandoah River	0.2
Implement pilot wetlands protection program	0.1
Total for DEQ Water Quality Initiatives	**$ 221.2**

The funding provided to DEQ will address the control of point source pollution, which describes water pollution stemming from a defined source. Efforts to address nonpoint source pollution, commonly described as pollution created by the movement of water over land, are the responsibility of the Department of Conservation and Recreation (DCR). The General Assembly approved $4.0 million GF for Soil and Water Conservation Districts to assist farmers in implementing best management practices and other land conservation measures to control nonpoint source pollution.

- **Secretary of Natural Resources**

  - *Increase Funding for the Council on Indians.* Provides an additional $25,000 GF the first year to support the operations of the Council on Indians.

- **Department of Conservation and Recreation**

  - *Water Quality Improvement Fund (WQIF) - Nonpoint Program.* The budget assumes that $39.6 million GF approved for deposit to the WQIF in Chapter 2 of the Acts of Assembly of 2006, Special Session I in fiscal year 2006 will be obligated or spent during the 2006-2008 biennium. The department will use these funds for implementation of agricultural best management practices in both the Chesapeake Bay Watershed and the Southern Rivers; special water quality initiatives throughout the state, statewide grants to local governments and other public entities, and the Conservation Reserve Enhancement Program (CREP). The department also has begun using three-year contracts with farmers in order to attract greater participation by farmers and to increase the duration of best management practices on agricultural lands.

  - *Southside "Rails to Trails" Project Extension.* Includes $200,000 GF the first year from the general fund to acquire abandoned rail bed from the Norfolk Southern Corporation. This purchase will be in addition to the 41 miles slated for purchase in fiscal year 2006.

  - *Additional State Park Operating Support.* Adds 21 positions and $2.1 million GF and $250,000 NGF each year to staff and operate new facilities opening during the 2006-2008 biennium. In addition, $150,000 GF is provided the first year for infrastructure improvements at Breaks Interstate Park.

  - *Stormwater Management Program.* Transfers 15 positions and $1.5 million NGF each year from DEQ to DCR. This transfer completes the consolidation of this program within a single agency as required by Chapter 372 of the Acts of Assembly of 2004.

  - *Stormwater Management Fees.* Provides $300,000 GF the first year to cover a projected revenue shortfall in the stormwater management program. This is a one-time expenditure intended to support the program while restructuring of the program's administration and fees is completed. When completed, this restructuring is expected to make the program self-sufficient.

  - *Maintenance of State Parks-owned Dams.* Continues $650,000 GF each year to repair dams in Virginia's state parks.

- *New State Parks Revenue.* Adds $500,000 NGF from cabin and campground rentals and concession charges each year to support the operations of the state parks system.

- *Soil and Water Conservation Districts (SWCDs).* Provides $2.0 million GF each year to the SWCDs to assist farmers in implementing best management practices and other land conservation measures to control nonpoint source pollution.

- *Beaumont Juvenile Correctional Center.* Includes budget language prohibiting the development of a state park on property transferred from the juvenile correctional center to state parks until the completion of a park master plan, which will include adequate opportunity for public participation in the planning process.

- *Dam Safety.* Appropriates $350,000 GF each year for the Dam Safety, Flood Prevention and Protection Fund to be used for either grants or loans to localities and loans to private owners of dams in need of renovation or repair. This is in accordance with Chapter 648 of the Acts of Assembly of 2006.

- *Erosion and Sediment Control Position.* Includes $75,000 GF each year to establish a position for the approval and inspection of the erosion and sediment control plans established by wetland and stream bank restoration companies on projects permitted by either DEQ or U.S. Army Corps of Engineers.

- *Nutrient Plan Writers.* Includes $400,000 NGF the first year to allow for private-sector, certified nutrient management plan writers to prepare up to one-half of the 1,100 nutrient management plans required under Virginia Pollution Abatement permits for poultry, swine, and beef operations. The source of the nongeneral fund revenue is interest earned on the nonpoint source portion of the Water Quality Improvement Fund's deposits.

- *Acquisition of Grand Caverns.* Language permits the agency's director to accept the gift of Grand Caverns Park from the Upper Valley Regional Park Authority. The language also states Grand Caverns Park will be developed into a state park when funding for that purpose is provided.

- **Department of Environmental Quality**

  - *Wastewater Treatment Plant Improvements in Chesapeake Bay Region.* Provides $200.0 million GF the first year for deposit into the Water Quality Improvement Fund to finance the costs of design and installation of biological nutrient removal technology at 92 publicly owned treatment facilities. A separate deposit of $17.0 million GF is contained in the Caboose Bill (Chapter 2 of the Acts of Assembly of 2006, Special Session I).

- *James River Combined Sewer Overflow (CSO) Project.* Provides $3.8 million GF the first year for the James River CSO project in the City of Richmond.

- *Wastewater Treatment Plant Improvements in Southern Rivers Region.* Appropriates $12.8 million GF and $4.2 million NGF the first year to the Water Quality Improvement Fund for grants to localities outside the Chesapeake Bay Watershed. These grants will be used to design and construct improvements to wastewater treatment plants, correct onsite sewage disposal problems, and develop comprehensive local and regional wastewater treatment plans.

- *Virginia Water Facilities Revolving Fund.* Reduces general fund matching dollars for the federal Clean Water Act by $3.9 million the first year and $720,000 the second year. Due to federal funding reductions for this program, the agency's base budget contained too much "match" for the federal dollars involved.

- *Underground Storage Tank Program.* Adds 18 positions and $833,472 NGF the first year and $1.2 million NGF the second year to implement the federal Underground Storage Tank Compliance Act of 2005. This legislation requires more frequent inspections, operator training, and new regulatory activities. The state is required to inspect 8,000 underground storage tank facilities every three years to prevent fuel releases, beginning August 2007.

- *Solid Waste Management Program.* Adds five positions and $549,852 GF the first year to inspect landfills, reduce unauthorized waste disposal, ensure landfill operation per permit requirements, and to respond and evaluate the risk from unpermitted waste disposal sites. The volume of solid waste disposed of in Virginia has increased by 52.0 percent since 1998. Virginia is the second largest "importer" of waste in the United States.

- *Enterprise Content Management System.* Includes $1.2 million NGF the first year from the Virginia Environmental Emergency Response Fund to develop an efficient means of storing, accessing, and managing documents of importance to the agency, regulated community, and public. The department estimates it will save $3.1 million from such a system's productivity improvements.

- *Enterprise-wide eGovernment Services.* Provides four positions and $600,000 NGF each year from the Virginia Environmental Emergency Response Fund to replace paper-driven processes with electronic processes, expand the agency's web-based GIS capacity and add data mining features to the agency's environmental database. The four positions included in the amendment would involve the conversion of existing contractor positions.

- *Increased Water Quality Monitoring of Elizabeth and Shenandoah Rivers.* Includes one position and $321,121 NGF the first year and $189,614 NGF the second year to increase water quality monitoring in the Elizabeth and Shenandoah Rivers. The nongeneral funds are derived from the Virginia Environmental Emergency Response Fund and payments by DuPont.

- *Groundwater Supply.* Provides six positions and $442,422 GF the first year and $415,746 GF the second year to better assess and manage groundwater resources in Virginia's Coastal Plain. Funding would be used to determine the demands on groundwater sources, evaluate alternatives, identify undocumented withdrawals, and provide technical assistance to better manage existing supplies.

- *Water Quality Monitoring.* Appropriates nine positions and $697,110 GF the first year and $660,141 GF the second year to develop Total Maximum Daily Loads for pollutants in Virginia's waters as required by a federal consent decree and to conduct water monitoring and assessment.

- *Shenandoah River Fish Kill.* Provides $170,000 GF the first year to investigate the potential factors causing fish lesions and mortality in more than one hundred miles of the Shenandoah River's South Fork.

- *Reduce Support for Chesapeake Bay Foundation.* Reduces general fund support for the foundation's educational field studies by $50,000 each year. The foundation will receive a total of $50,000 in support per year.

- *Interstate Compacts.* Provides $61,132 GF the first year and $68,892 GF the second year to support the Commonwealth's participation in several interstate compacts for which the costs of participation have increased.

- *Chesapeake Bay Monitoring.* Includes $1.0 million GF each year to increase the monitoring and assessments of the state's efforts to clean up the Chesapeake Bay and its tributaries.

- *Skelton 4-H Educational Conference Center.* Provides $375,000 GF the first year to refurbish this facility's wastewater system. The existing system does not meet Health Department standards. The funding provided will be matched by federal grants.

- *Mercury Switch Recycling.* Includes $75,000 GF each year and one position to develop a program to safely remove and recycle mercury switches in scrap-yard vehicles. The aim of this program is to reduce mercury emissions in the environment in accordance with Chapters 16 and 163 of the Acts of Assembly of 2006.

- *Enhance Virginia Water Protection Inspection and Compliance Program.* Provides three positions, $39,385 GF and $118,157 NGF the first year and $55,515 GF and $166,544 NGF the second year to enhance the Commonwealth's protection of wetlands. The nongeneral funds are derived from an Environmental Protection Agency Wetland Program Implementation Pilot Grant.

- **Department of Game and Inland Fisheries**

  - *Provide for Unfunded Game Warden Salaries.* Provides $2.0 million NGF the first year and $1.0 million NGF the second year from hunting and fishing license sales to support 20 positions originally created during 2004. The agency had originally requested the positions and had stated no additional funds were necessary.

  - *Wildlife Diversity Program.* Provides six positions and $393,327 NGF the first year and $363,327 NGF the second year from the Game Protection Fund and federal grants to increase the department's management of wildlife populations, coordinate state and federal actions on specific wildlife issues, and market wildlife watching opportunities to the public and tourists.

  - *Virginia Migratory Waterfowl Conservation Stamp.* Adds $200,000 NGF each year to carry out legislation adopted by the 2005 Session of the General Assembly to establish this stamp and a new fund to collect and disburse revenues from the stamp's sales.

  - *Additional General Fund Revenue.* Increases the department's nongeneral fund appropriation by $110,195 NGF each year to reflect the transfer of general fund revenue to the Game Protection Fund. The general fund dollars are from the portion of the state general sales and use tax allocated by law to the Game Protection Fund. In fiscal year 2007 and fiscal year 2008, the general fund dollars supporting the agency are $16.5 million and $16.6 million, respectively.

- **Department of Historic Resources**

  - *Survey and Planning Cost Share Program.* Adds one position, $157,523 GF the first year and $158,839 GF the second year and $120,000 NGF each year to increase the department's efforts to identify, record, and evaluate Virginia's historic resources. This information is used by VDOT, local governments, and private developers.

  - *Civil War Preservation Grants.* Provides $500,000 GF the first year to match federal or private funds for the preservation of certain Virginia Civil War historic sites listed in the National Park Service's "Report on the Nation's Civil War Battlefields".

- *Montpelier Matching Grant Program.* Includes $458,278 GF the first year and $291,419 GF the second year to match certain charitable contributions received by the Montpelier Foundation for restoration of James Madison's home. The funding is provided pursuant to Chapter 470 of the Acts of Assembly of 2005.

- *Military Installation Historic Reviews.* Provides $72,056 GF each year and one position to augment the agency's review of federal construction projects on military bases. A significant portion of Virginia's historic sites are actually located on military bases. Federally required reviews for military construction projects have increased by 44 percent in the last four years and are likely to increase further due to BRAC.

- **Marine Resources Commission**

  - *Oyster Replenishment.* Provides $200,000 GF the first year and $100,000 NGF each year to support oyster replenishment efforts. The nongeneral funds are derived from permit and dredging fees and royalties from the use of state-owned bottomlands.

  - *Fishing License Revenue.* Adds $1.0 million NGF each year to manage commercial and recreational fisheries. Total resources for this activity will total $4.7 million each year in 2006-2008.

  - *Planting of Asian Oysters.* Includes language directing the agency to seek a federal permit to introduce the oyster Crassostrea ariakensis into the waters of the Chesapeake Bay. If this permit is denied, the agency is directed to seek remedy in federal court.

  - *Potomac River Fisheries Commission.* Provides $20,000 GF each year to augment Virginia's support for this commission.

  - *Funding for Main Office Rent Increase.* Includes $26,500 GF each year to support an increase in the rent the agency must pay for its headquarters facility in Newport News.

- **Virginia Museum of Natural History**

  - *Operating and Staff Support.* Adds three positions and $423,749 GF the first year and $465,601 GF the second year to hire a collections manager, librarian, and editor to support the operations of the new museum facility in Martinsville. The new museum is expected to open to the public in September 2006.

Public Safety

The 2006-08 budget, as adopted, includes total increases of $240.9 million GF and $59.7 million NGF for the Office of Public Safety. These amounts provide an increase of 7.8 percent in general funds and 4.3 percent in nongeneral funds for the 2006-08 biennium, when compared to the adjusted appropriation for current operations.

A series of amendments provide over $90 million GF to open four new adult correctional facilities, including Phase II at St. Brides Correctional Center in the City of Chesapeake, the expansion of Deerfield Correctional Center in Southampton County, and the two new 1,024-bed medium security facilities in Chatham (Pittsylvania County) and the Pocahontas site (in Tazewell County). Another $4.4 million is provided to open or re-open housing units at Culpeper and Hanover Juvenile Correctional Centers.

For the Department of Corrections, the adopted budget provides an additional $15.8 million GF to support medical care for inmates. The adopted budget also includes $5.6 million for 53 probation officers to meet the increasing supervision caseload, $6.1 million and 24 probation officers for tracking sexually violent predators, $2.2 million for five new sex offender containment programs in district probation offices, and $3.7 million to upgrade the Corrections Information System, including new systems to manage community corrections. Funds to restore 15 psychologist positions are also included.

A new reentry initiative totaling $5.9 million GF in the Departments of Corrections, Correctional Education, and Juvenile Justice is provided for expanded services to assist adult and juvenile offenders in the process of reintegration into their home communities upon release from prison.

An additional $33.8 million GF is provided to meet the statutory responsibility to increase state aid for localities with police departments (HB 599) consistent with the projected increase in general fund revenues, plus $3.5 million (to be distributed according to the level of violent crime) to those localities which would otherwise lose funding under the existing HB 599 formula.

For the Department of State Police, the adopted budget provides $0.9 million GF to enhance the sex offender registry, $9.8 million GF to fill state trooper vacancies held open due to lack of sufficient funds, and $5.8 million GF to upgrade law enforcement information systems. Another $6.2 million GF will enable the new Department of Forensic Science to meet workload increases. Finally, an increase of $2.0 million is added for local community corrections programs.

Significant nongeneral fund actions include $11.5 million NGF to reflect increased sales at ABC stores, offset by the loss of $5.0 million due to lower sales of lottery tickets at the stores.

The budget also includes $24.0 million to reflect increased sales of prison-made goods and services by Virginia Correctional Enterprises, and an additional $6.0 million from court fees for the Virginia Domestic Violence Victims Fund grant program. An estimated $60.0 million is included to reflect expected federal homeland security grants.

- **Commonwealth's Attorneys Services Council**

  - *Conversion of Part-Time Position.* Provides one position (and no additional funding) to convert the part-time fiscal officer to full-time status.

- **Department of Alcoholic Beverage Control**

  - *Lottery Ticket Purchases.* Includes a reduction of $2.5 million NGF each year to reflect a decrease in lottery ticket sales.

  - *Unbudgeted Cost Increases.* Provides $2.7 million NGF the first year and $3.0 million NGF the second year to address the increased cost of rent, utilities and freight charges for retail stores.

  - *Retail Store Modernization.* Provides $285,000 NGF the first year for new shelving units for retail stores.

  - *Retail Store Expansion.* Includes $2.7 million NGF the first year and $2.0 million NGF the second year, and 20 positions each year to open ten new retail stores.

  - *Warehouse Racking System.* Includes $440,741 NGF each year for the new warehouse racking system financed through the Master Equipment Lease Program.

- **Department of Correctional Education**

  - *Supplies, Materials, and Equipment.* Provides $300,000 GF the first year and $600,000 GF the second year for schools at the adult and juvenile correctional centers for teaching supplies, materials and equipment, including textbooks.

  - *Teacher Parity.* Includes $317,166 GF the first year and $585,534 GF the second year to increase teacher salaries. This is intended to enable the agency to compete with local public schools to recruit and retain qualified teachers.

    - The 1996 General Assembly directed the Department of Human Resources Management to establish pay scales for DCE teachers that are competitive with the pay scales of local public school divisions adjacent to the DCE schools.

  - *Replace Federal Grants.* Provides $361,856 GF the first year and $419,012 GF the second year, and six positions each year to replace U.S. Department of Labor

grants that are expiring. These grants funded four positions at Beaumont Juvenile Correctional Center and two positions at Culpeper Juvenile Correctional Center. The two grants provided career and technical and vocational education programs for older youth, as part of the reentry initiative.

- *Career and Technical and Vocational Education.* Provides an additional $382,847 GF the first year and $209,813 GF the second year, and three positions to expand the career and technical and vocational education programs at Culpeper and Bon Air Juvenile Correctional Centers, as part of the reentry initiative.

- *Evening Career and Technical Education Programs.* Includes $200,000 GF the first year and $400,000 GF the second year to provide evening instruction along with related employability skills training at selected adult facilities, as part of the reentry initiative. (A companion amendment for DOC provides security services required for these evening programs.)

- *New School Facilities Coming on Line.* Provides $421,530 GF and eight positions the first year and $4.4 million GF and 24 additional positions (for a total of 32 positions) the second year for schools at the new correctional facilities coming on-line. These include the expansion at Deerfield Correctional Center in Southampton County, and the new medium security facilities at Chatham in Pittsylvania County and at the Pocahontas site in Tazewell County. (Companion amendments for DOC provide the required operating expenses for the new correctional facilities.)

- **Department of Corrections (Central Office)**

  - *Corrections Information System.* Provides $2.8 million GF the first year and $857,277 GF the second year and $500,000 NGF each year for the agency's new automated information systems. These systems will support inmate time computation, facility operations, and community corrections.

    - The total cost of these systems over five years (FY 2005–2009) is estimated at $10.5 million. The source of the nongeneral funds is Dedicated Special Revenue from housing out-of-state inmates from Hawaii and the Virgin Islands.

  - *Transitional Specialists.* Includes $122,034 GF the first year and $154,155 GF the second year and three positions as part of an initiative to improve the process of assisting inmates in reentering the community upon release from prison. These positions will focus on high-risk cases, such as sex offenders, violent offenders, and physically and mentally disabled offenders.

  - *Insurance Recoveries.* Includes $100,000 NGF each year to reflect the revenues anticipated for insurance claims, based on the agency's previous history.

- *VITA Position Transfer.* Adds two positions to correct the agency's Maximum Employment Level to account for two positions mistakenly transferred to the Virginia Information Technologies Agency (VITA) under the consolidation plan.

- *Psychologist Positions.* Provides $0.6 million GF the first year and $1.0 million GF the second year to restore 15 psychologist positions which were eliminated during the 2002 and 2003 round of budget reductions. These may be allocated to either institutions or community corrections. Two of the positions are intended to support the sexually violent predator program.

- **Department of Corrections (Institutions)**

  - *Deerfield Expansion.* Provides $9.0 million GF the first year and $11.7 million GF the second year and 194 positions each year to operate the 600-bed expansion unit at Deerfield Correctional Center in Southampton County. The new unit is expected to be completed in November 2006 and begin loading inmates January 1, 2007.

  - *New Prison in Tazewell County.* Provides $6.4 million GF the first year and $22.5 million GF the second year and 336 positions each year to operate the new 1,024-bed medium security facility at the Pocahontas site in Tazewell County. The new unit is expected to be completed in April 2007 and begin loading inmates June 1, 2007, subject to the delayed opening noted below.

  - *New Prison in Pittsylvania County.* Provides $4.6 million GF the first year and $23.1 million GF the second year and 347 positions each year to operate the new 1,024-bed medium security facility at Chatham in Pittsylvania County. The new unit is expected to be completed in May 2007 and begin loading inmates July 1, 2007, subject to the delayed opening noted below.

  - *Unspecified Delayed Opening.* Reduces funding for opening either or both the Tazewell or Chatham facilities by a total of $1.7 million GF the first year to reflect a one-month delay in opening. The allocation of this reduction is to be determined by DOC.

  - *St. Brides Phase II.* Provides $0.2 million GF the first year and $9.7 million GF the second year, and 169 positions to operate the 800-bed expansion unit at St. Brides Correctional Center in the City of Chesapeake. The new unit is expected to be completed in mid-2007.

  - *New Facility in Mount Rogers Planning District.* Includes $1.5 million GF the first year and language authorizing DOC to move forward to Phase 2 of the PPEA process through an Interim Agreement to develop a new correctional facility in the Mount Rogers Planning District, along with environmental impact reviews, permitting fees, legal fees, and site acquisition.

- *Private Prison Contract.* Provides $1.6 million GF the first year and $2.2 million GF the second year for increased per diem costs for the privately-operated Lawrenceville Correctional Center. (A companion amendment to HB 5012 (the caboose bill) includes funding for the increased per diems in FY 2006.)

- *Medical Costs.* Provides $7.9 million GF each year for increased inmate medical costs.

- *Nursing Coverage.* Includes $171,535 GF the first year and 343,070 GF the second year, and nine positions for 24-7 nursing coverage at Pulaski Correctional Field Unit, to enable DOC to move minimum-security inmates with health problems to this unit, thereby freeing up higher-security beds.

- *Sex Offender Treatment.* Includes $218,347 GF the first year and $183,649 GF the second year, and three positions for treatment services for sex offenders at Brunswick Correctional Center.

- *Evening Career and Technical Education Programs.* Includes $113,208 the first year and $247,008 GF the second year and six positions each year for security services required to expand evening instruction and related employability skills training at selected adult facilities, as part of the reentry initiative. (A companion amendment for the Department of Correctional Education provides the associated educational services.)

- *Craigsville Wastewater Treatment Plant.* Includes $1.1 million GF the first year and $120,000 the second year for the state share of the wastewater treatment plant expansion to be constructed by the Town of Craigsville, which will serve Augusta Correctional Center. The state intends to assume 56 percent ($4.25 million) of the estimated total construction cost, assuming the correctional center will use 56 percent of the capacity of the expanded treatment plant. The state share includes: (a) the one-time cash grant of $1.1 million; (b) $120,000 the second year as the first of 20 equal payments on a 20-year, zero-interest loan for $2.4 million; and (c) a Water Quality Improvement Fund grant for $750,000, representing the 50 percent share of the project cost attributable to nutrient reduction, pursuant to Chapter 236 of the 2006 Session.

- *Commissary Automation.* Eliminates $55,000 NGF and one position each year to maintain the automated commissary or canteen management system. The operation has been contracted out to a private vendor so this appropriation is no longer necessary. The source of the nongeneral funds is commissary profits.

- *Faith-Based Services.* Provides an additional $100,000 NGF each year to contract with organizations that work to enhance faith-based services to inmates. The source of the nongeneral funds is commissary profits.

- *Replacement of Federal Funds.* Provides $1.4 million GF each year to assume the cost of federal grants for residential substance abuse treatment programs, which have expired. A total of 23 positions are associated with this fund shift.

- *Corrections Special Reserve Fund.* Includes $3.5 million GF the first year for the estimated net increase in the operating costs of adult correctional facilities resulting from enactment of HB 102, 775, 984, 1141, 1333, 1339, and 1341, and SB 559, of the 2006 Session. This amount is deposited into the Corrections Special Reserve Fund, pursuant to Section 30-19.1:4 of the Code of Virginia.

  - Companion amendments to Part 2 (Capital Outlay) and Part 3 (Transfers) provide that these funds be used to pay for a capita project to expand the wastewater treatment plant at Nottoway Correctional Center.

- *Correctional Enterprise Revenue.* Includes a technical adjustment to increase the appropriation for Virginia Correctional Enterprises by $11.0 million NGF the first year and $13.0 million NGF the second year to reflect the anticipated increase in revenues from the sale of prison-made goods and services.

- *Reports by the Department of Corrections.* Requires the agency to report on the need for additional medical, mental health and geriatric facilities; alternatives for developing a satellite training facility in Southwest Virginia; and, the feasibility of a therapeutic incarceration program for offenders requiring drug or alcohol abuse treatment, as suggested in SB 611, which was carried over.

- **Department of Corrections (Community Corrections)**

  - *Probation Officers.* Provides $2.5 million GF the first year and $3.0 million GF the second year and 53 positions to increase the number of probation officers, consistent with caseload growth.

  - *Sex Offender Containment.* Includes $875,077 GF the first year and $1.4 million GF the second year and 15 positions to establish sex offender containment programs in five additional Probation and Parole Districts. There are currently nine district programs.

  - *Sexually Violent Predator Containment.* Adds $1.9 million GF and 12 positions the first year and $4.2 million GF and 24 positions the second year for supervision and global position system (GPS) or similar tracking of violent sexual predators, as required by Chapters 853, 857 and 914 of the 2006 Session.

  - *Technical Probation Violators.* Includes simplified language directing the agency to provide community corrections facilities and programs for judges to use, at their discretion, for technical probation violators.

- *Day Reporting Centers.* Provides $289,227 GF each year to annualize the appropriation for two new day reporting centers in the City of Winchester and Tazewell County.

- *Approval of Jail Construction Projects.* Provides for exemptions to the moratorium on approval by the Board of Corrections of local and regional jail construction projects, so the following projects may proceed to planning: Southside Regional Jail, including Brunswick, Dinwiddie, Mecklenburg and Sussex Counties (along with language providing Brunswick County with the option of either moving forward with a local facility or joining the regional jail); a new regional jail serving Warren, Page, Rappahannock and Shenandoah Counties; renovation of a former juvenile detention facility for the Newport News City Jail, using only local funds; Rockbridge Regional Jail, for an expansion; Western Virginia Regional Jail, for a new facility serving Franklin, Montgomery and Roanoke Counties and the City of Salem (along with language providing Roanoke City with the option of joining the regional jail); and, the Blue Ridge Regional Jail, for a new facility to replace the Appomattox and Amherst County jails and the Moneta facility.

- *Approval of Costs Increases in Jail PPEA Projects.* Includes language authorizing the Board of Corrections to approve adjustments to the state share of the cost of jail projects which are being constructed using the public-private partnerships.

- *Approval of Jail Projects Which Increase Capacity.* Includes language clarifying that no city, county, town or regional jail shall authorize construction of any facility to house any inmate in secure custody which results in increased jail capacity without the prior approval of the Board of Corrections.

- **Department of Criminal Justice Services**

  - *House Bill 599.* Adds $11.6 million GF the first year and $22.2 million GF the second year for state aid to localities with police departments (pursuant to House Bill 599 of 1979). The actual expenditure for FY 2006 is $191.3 million. The recommended appropriation is $202.9 million for FY 2007 and $213.6 million for 2008. This represents a 6.0 percent increase in FY 2007 over 2006, and a 5.3 percent increase in FY 2008 over 2007, consistent with the revised GF revenue forecast.

    - Language is included authorizing the agency to withhold HB 599 payments to any locality upon notifcation by the Department of State Police that there is reason to believe that crime data reported by that locality to State Police is missing, incomplete or incorrect. Upon

subsequent notifcation that the data is accurate, the agency is directed to restore these funds to the locality.

- Companion language directs State Police to develop written procedures for localities to report this data.

– ***House Bill 599 Supplement.*** Provides an additional $3.5 million GF the first year, to be distributed (using the incidence of violent crime) to those localities that would otherwise experience a reduction in HB 599 funds based on the current allocation formula. Language is included to require a report on the current methodology for distribution of HB 599 funds.

– ***Integrated Justice System.*** Provides $82,609 NGF the first year and $80,609 NGF the second year and one position each year to maintain the Uniform Statute Table, which is one component of the Integrated Justice System. The federal funds are provided through the Community Oriented Policing (COPS) grant program.

– ***Local Responsible Community Corrections.*** Provides an additional $0.9 million GF the first year and $1.2 million GF the second year for community corrections and pre-trial release programs for local-responsible offenders.

– ***Pre- and Post-Incarceration Services.*** Provides $1.2 million GF each year for programs that increase opportunities for successful re-integration of offenders into the community through structured pre-and post-incarceration programs. These programs were supported with federal Byrne grant funds that have expired. This is part of the reentry initiative.

– ***Bail Bondsmen.*** Includes $128,266 NGF the first year and $114,710 NGF the second year, and two positions each year to regulate and oversee bail bondsmen. The Special Funds are from fees collected from bail bondsmen to support the program.

– ***Asset Forfeiture Program.*** Includes $3.0 million NGF each year to reflect the increasing value of property seizures by state and local law enforcement agencies.

– ***Domestic Violence.*** Includes $3.0 million NGF each year from increased court fees for the Virginia Domestic Violence Victims Fund, for grants to localities.

– ***Victim-Witness Programs.*** Provides $500,000 GF the second year to offset reductions in federal Victims of Crime Act (VOCA) funds for the Virginia Crime Victim/Witness Fund, and directs the agency to report on the status of funding.

- *CASA.* Provides $100,000 GF each year for the Court Appointed Special Advocate (CASA) program, and authorizes the Governor to provide offsetting funds (from unappropriated balances) if federal funding is reduced.

- *Virginia Crime Prevention Association.* Provides $100,000 GF each year to replace a federal grant which is expiring.

- *Dual-Diagnosis Day Reporting Center.* Provides $338,063 GF the first year to replace a federal grant which is expiring for the Chesterfield County Community Corrections Program to support the specialized day reporting center for offenders who are both mentally ill and substance abusers.

- *New River Valley Crisis Intervention Team.* Includes $150,000 the first year to replace a federal grant which is expiring for the specialized training program in the New River Valley for law enforcement officers who deal with mentally ill offenders. The department is directed to report on the feasibility of utilizing this training program in other jurisdictions.

- *Campus Security.* Provides $176,022 GF each year and two positions to develop specialized training and standards for campus police and security officers, as required by Chapters 203 and 233 of the 2006 Session.

- *Youth Court Programs.* Includes $100,000 NGF the first year to initiate five school-based youth court programs. Each of the five programs would receive a grant of $10,000. The remaining $50,000 would be used for evaluation.

• **Department of Emergency Management**

- *Fusion and Emergency Operations Centers.* Provides $483,598 GF each year to annualize funding for the new Fusion Center and the Emergency Operations Center (EOC), located in the new addition to State Police Headquarters in Chesterfield County.

- *Emergency Operations Center – VITA Charges.* Provides $348,000 GF each year for VITA charges to support new technology, which requires additional training and maintenance of new equipment in the new EOC, which is five times larger than the old center.

- *Homeland Security Grants.* Includes $30.0 million NGF each year to reflect anticipated receipt of federal homeland security grants.

- *Homeland Security Grants Compliance.* Provides one position (and no additional funding) to establish a new full-time compliance officer to support the administration of the homeland security grants program. This position will

audit both state and local programs to ensure compliance with federal and state guidelines.

- *Administrative Support.* Provides $18,299 GF and $29,748 NGF the first year and $19,963 GF and $32,452 NGF the second year, and three positions each year. This will enable the agency to convert one procurement position and one warehouse manager position from part-time to full-time status, and to establish one nongeneral fund position to administer the homeland security grants program.

- *Radiological Emergency Preparedness.* Includes $50,000 NGF each year and one position supported by Dominion Power for the radiological emergency preparedness program.

- *Rent Increase.* Provides $99,020 GF the first year and $101,000 GF the second year for increased rental charges for office space at the agency's headquarters building at the Trade Court (just off Midlothian Turnpike) in Chesterfield County.

- **Department of Fire Programs**

  - *Revised Special Fund Revenue Estimate.* Increases the appropriation for the Fire Programs Fund by $634,706 million NGF each year to reflect more accurately the revenues collected by the State Corporation Commission for the Fire Programs Fund from the tax on property insurance premiums.

  - *Fusion Center.* Provides one position (and no additional funding) for a fire services specialist to work in the new Fusion Center in the new addition at State Police Headquarters. This new position will add fire services expertise and experience in developing threat assessments from natural and man-made disasters.

  - *Administrative Support.* Provides $82,628 NGF the first year and $72,628 NGF the second year, and two positions for clerical support in two new regional offices.

- **Department of Forensic Science**

  - *Annualize Positions.* Includes $235,626 GF each year to annualize funding for the 38 new positions provided by the 2005 General Assembly.

  - *Increase Scientific and Support Staffing.* Includes $645,612 GF and 13 positions the first year and $1.6 million and six additional positions (for a total of 19 positions) the second year, for forensic scientists and support staff for the four regional laboratories.

- *Reduce Drug Case Backlog.* Provides $1.4 million GF the first year to contract with a private laboratory and pay mandatory overtime to reduce the current drug case backlog.

- *Administration and Finance.* Provides $297,117 GF and four positions each year to establish a new Division of Administration and Finance within the agency. These new positions include one budget and policy analyst, one accounting or fiscal technician position, and two human resources positions.

- *Operations and Maintenance Services.* Adds six positions (and no additional funding) to enable the agency to assume operations and maintenance functions which are currently being contracted out. The agency has not been satisfied with the quality of the current contractual services.

- *Increase Laboratory Space Utilization.* Provides $178,500 GF the first year and $357,000 GF the second year for leased space to enable the agency to move administrative functions out of the Central Laboratory in Richmond and to use these vacated offices to expand the amount of usable laboratory space.

- *Laboratory Maintenance and Operations.* Includes $200,000 GF each year for the increasing cost of maintenance and operations at the four regional laboratories.

- *Replace Scientific Instruments.* Provides $225,000 GF each year to replace and upgrade the equipment needed for chemical analysis and physical evidence analysis. The agency has been relying on federal Byrne grants for this purpose, but the grants have expired.

- *Replace Breath Alcohol Instruments.* Provides $196,870 GF each year to replace the breath test instruments used by police officers throughout the Commonwealth. The agency manages the breath alcohol program by providing, maintaining, and certifying instruments and training, and by certifying police officers in the use of this equipment.

- *Virginia Forensic Science Academy.* Includes $66,553 GF each year to increase the training offered by the academy for state and local law enforcement officers for evidence collection and crime scene preservation.

• **Department of Juvenile Justice**

- *Local Juvenile Detention Facilities.* Includes $890,899 GF the first year for the (50 percent) state share of the capital cost of security enhancements at three facilities, including the Richmond Juvenile Detention Home ($43,550), the Crater Juvenile Detention Home ($244,074), and the Northern Virginia Juvenile Detention Home ($603,275).

- *Safety Management.* Provides $80,608 GF the first year and $73,608 GF the second year and one risk manager position to provide technical expertise for the agency's safety management program.

- *Adjustments in Federal Funding.* Provides a net reduction of $3.4 million NGF each year in federal funds. The specific actions include: a reduction of $3.0 million each year in Title IV-E funds which are not available; a reduction of $623,588 each year in the sex offender treatment grant, for which the agency will absorb the cost; an increase of $176,228 each year in USDA food service funds; and an estimated $100,000 each year for other anticipated grants which may be received by the agency.

- *Residential Substance Abuse Treatment.* Provides $135,000 GF each year to replace a federal grant which is expiring June 30, 2006, for an intensive substance abuse treatment program for females at Bon Air Juvenile Correctional Center.

- *Eliminate Nongeneral Funds.* Eliminates $1.0 million NGF each year for unrealized detention center revenues at Culpeper Juvenile Correctional Center.

- *Open Additional Housing Units.* Provides $1.6 million GF the first year and $2.9 million GF the second year and 78 positions to open the fourth and final housing unit at Culpeper Juvenile Correctional Center as of January 1, 2007, and to reopen the newly-renovated housing units at Hanover Juvenile Correctional Center, based on updating the 2004 DJJ facility utilization report. This amendment also includes funds and positions for four trainers and one background investigator to facilitate hiring and training the staff for these additional housing units.

- *Workforce Development.* Includes $770,866 GF the first year and $609,623 GF the second year and ten positions to replace a U.S. Department of Labor grant which is expiring. The grant enabled the agency to develop training and a comprehensive aftercare program for juveniles upon release to their communities. This is part of the reentry initiative.

- *Independent Living.* Includes $112,500 GF the first year and $250,000 GF the second year for residential services. Part of this amount replaces a federal grant which is expiring for contracts with community-based organizations to provide independent living beds for juveniles on parole supervision who require additional supervision upon release and who cannot return to the homes of their legal guardians. This is part of the reentry initiative.

- *Pilot Reintegration Program.* Provides $450,000 GF each year for a pilot program to move juvenile offenders out of state facilities and into selected local and regional detention homes or private facilities in their home communities.

This includes $200,000 each year which can be used for the pilot reintegration program, mental health treatment, or reentry services. This is part of the reentry initiative.

- *Transitional Beds for Female Offenders.* Provides $250,000 GF each year for transitional beds for female offenders. This is part of the reentry initiative.

- *Community Substance Abuse Treatment.* Provides $200,000 GF each year for substance abuse treatment provided through the juvenile Court Services Units. This is part of the reentry initiative.

- *Community Mental Health Treatment.* Provides $200,000 GF each year for mental health treatment through the Court Services Units for juvenile offenders. This is part of the reentry initiative.

- *Crossroads Community Youth Home.* Includes $618,743 GF the first year for the new community facility serving the City of Williamsburg and James City and York Counties. This includes $528,743 for the state share of the construction cost and $90,000 for the state share of the land-lease agreement

- **Department of Military Affairs**

  - *Life Insurance Payments.* Includes $350,220 GF each year for the employee share of the premiums for the federal military life insurance benefit (up to $400,000) on behalf of all soldiers deployed with the Virginia National Guard in theaters of high risk (combat zones). The General Assembly approved an amendment for this program during the reconvened session on April 6, 2005, for implementation in FY 2006, but the funds for FY 2006 were included in the Economic Contingency account. This action places the funds within the agency's budget.

  - *Virginia National Guard Foundation.* Provides $500,000 GF the first year for grants and loans for National Guard families facing financial hardship because of the deployment of their family members. The foundation is a not-for-profit organization established by the Department of Military Affairs.

  - *Military Family Fund.* Provides $500,000 GF the first year for assistance to families of Virginia National Guard members and members of the reserves of the armed forces of the United States, who have been activated since September 11, 2001, and who are in financial need. The fund is to be created pursuant to companion legislation to be introduced during the 2006 Session, as recommended by the Governor's Citizen Soldier Council.

  - *Fort Pickett Police Force.* Provides $190,000 GF the first year and $155,000 GF the second year and three positions to increase the size of the Fort Pickett Police Force from six to nine officers.

- *Maneuver Training Center – Billeting Fund.* Includes $105,200 NGF each year and four positions to support the billeting office at the Maneuver Training Center, to address the growth in the number of tenants occupying Fort Pickett.

- *Maneuver Training Center - Maintenance.* Adds $108,000 NGF and two positions each year for maintenance for the Maneuver Training Center, to address the growth in the number of tenants occupying Fort Pickett.

- *Virginia Defense Force.* Includes $25,000 GF each year for equipment and training for the Virginia Defense Force.

- **Department of State Police**

  - *Sex Offender Registry - Software.* Provides $0.9 million GF the first year to upgrade computer software and hardware for the Sex Offender Registry.

  - *Sex Offender Registry – Technical Positions.* Provides $0.2 million GF each year and two positions to improve and maintain the registry website and related data systems.

  - *Sex Offender Registry – Administrative Support.* Provides $0.2 million GF each year and six positions to address the increasing workload associated with maintaining the registry.

  - *Sex Offender Registry – Law Enforcement Support.* Provides $5.1 million GF the first year and $3.7 million GF the second year and 45 sworn positions to monitor those offenders on the Sex Offender Registry who are not otherwise under probation supervision by the Department of Corrections, as required by Chapters 814 and 847 of the 2006 Session.

  - *Replace Law Enforcement Information Systems.* Provides $2.3 million GF the first year and $3.5 million GF the second year to finance the updating of several information systems through the Master Equipment Lease Program. The systems to be updated include information repositories for criminal histories, concealed weapons permits, and wanted persons, the mug shot system, and the Sun and Exchange servers.

  - *Fill Vacant Trooper Positions.* Provides $4.9 million GF each year to fill 70 existing state trooper positions which have been held vacant due to funding limitations.

  - *Annualize Funding.* Includes $952,732 GF each year to annualize the cost of the new STARS Network Operations Center, the new Fusion Center, and the anti-gang programs which were partially funded for start-up during FY 2006.

- *DARE Program.* Provides $85,000 GF each year for the DARE program, for training for instructors, workbooks for students, and assistance with the annual conference.

- *Nongeneral Fund Increases.* Includes $5.7 million NGF each year to adjust the level of nongeneral fund revenues for the HEAT (Help Eliminate Auto Theft) program, the Insurance Fraud Unit, asset forfeiture, and federal grants. This adjustment is based on actual receipts of these nongeneral funds up to the present time.

- *Nongeneral Fund Increases – Projected Revenues.* Includes an additional $1.6 million NGF each year to reflect a projected increase in Special Fund revenues for the HEAT (Help Eliminate Auto Theft) program and the Insurance Fraud Unit. These revenues are transferred from the State Corporation Commission.

- *Crime Data Reporting.* Includes language directing the Superintendent of State Police to establish written procedures for timely and accurate reporting by localities of crime data, and to require the localities to certify that the information provided is accurate, to the best of their knowledge.

  - Companion language requires the Department of Criminal Justice Services to withhold HB 599 payments when the Superintendent reports that the crime data reported by a locality is missing, incomplete or inaccurate.

Technology

The adopted budget for the 2006-08 biennium includes a total of $13.5 million in general fund (GF) spending and $115.6 million in nongeneral fund (NGF) spending for the Technology secretariat. This includes a net reduction of $2.5 million GF and a net increase of $46.8 million NGF.

New nongeneral fund spending occurs solely within the Virginia Information Technologies Agency (VITA) and includes: $24.6 million to update the agency's NGF appropriation to better reflect it's current expenditures, $16.0 million to deploy Emergency-911 systems across Virginia, $6.0 million to create an acquisition services special fund to serve state agencies when federal guidelines do not permit reimbursement for equipment or contracting purchases, and $600,000 to maintain the aerial photography base map of Virginia and the E-911 address file.

The adopted GF reductions include the elimination of $1.0 million in one-time funding for technology purchases and $1.6 million from VITA that was originally scheduled to have been captured during fiscal year (FY) 2006. The Governor's Caboose Bill proposed transferring these savings from FY 2006 to FY 2007.

- **Virginia Information Technologies Agency (VITA)**
  - ***Transfer Virginia Base Mapping to Central Accounts.*** Includes a reduction of $504,715 GF and $200,000NGF each year for the Virginia Base Mapping Project. Funding for digital mapping is transferred to Central Appropriations.
  - ***Virginia Base Mapping and Emergency-911 Address File.*** Includes $300,000 NGF each year and three positions for maintenance of the Virginia Base Map and Emergency E-911 address file.
  - ***FY 2006 Technology Savings.*** Reduces the agency's budget by $1.6 million GF the first year to capture savings from consolidating the state's technology functions. Originally, these savings were to have been captured in fiscal year 2006, but were delayed in Chapter 2 (the Caboose Bill) until fiscal year 2007.
  - ***Emergency-911 Funds.*** Provides $7.5 million NGF and three positions the first year, and $8.5 million NGF the second year for operation of and deployment of the Emergency E-911 program.
  - ***Acquisition Special Services Fund.*** Provides $2.9 million NGF the first year and $3.1 million NGF the second year for the acquisition services special fund. This fund would be used to finance programs and equipment acquisitions that may not be reimbursable by the federal government through VITA service charges.

- *Adjust Nongeneral Fund Appropriation for Recent Experience.* Includes $12.3 million NGF each year to increase the agency's appropriation to account for its current expenditures. The source of the nongeneral fund revenue is charges for state agency services and local services provided by VITA at local governments' request.

- *Virginia Base Map Internal Service Fund.* Language is included directing the agency, in consultation with other state agencies using information from the Virginia Base Map, to develop an internal service fund structure to support future updates to the base map. The structure of this internal service fund is to be approved by the Joint Legislative Audit and Review Committee and is expected to be operational by July 1, 2008.

- *Capital Lease Limitations.* Language is included limiting the total tax-supported capital leases that the agency can enter into with its private sector partner for infrastructure improvements. The limit included in the language is based upon the agency's estimated upper limits for any possible leases needed for the infrastructure partnership.

Transportation

The 2006-08 budget for Transportation includes $648.0 million GF and $8.9 billion NGF, an increase of 18 percent over the 2004-06 biennium. The GF amount includes $228.9 million in on-going resources for transportation, derived from automobile insurance premium tax revenues. An additional $339.0 million GF is provided in the first year as a one-time commitment to transportation.

Chapter 3 includes $15.4 million over the biennium for a variety of computer systems upgrades at the Department of Motor Vehicles, including the Department's primary system – Customer Services System (CSS) – as well as smaller systems relating to hauling permits issuance, document imaging and traffic and accident records. The reengineering of the CSS is anticipated to total in excess of $30.0 million, of which $9.1 million NGF would be funded in the upcoming biennium, with the remainder financed through the master equipment lease program through FY 2011.

Finally, language authorizes the Virginia Port Authority to issue an additional $90.0 million in bonds for the purpose of expanding and reconstructing Norfolk International Terminals North and to make other port facilities improvements. Also authorized is $12.5 million in terminal operating equipment through the master equipment lease program for the purchase of additional straddle carriers and crane replacements.

- **Secretary of Transportation**

  - ***Intermodal Performance Measures.*** Includes language requiring the Intermodal Office to work with local governments to develop performance measures and criteria to measure including improvements related to traffic mitigation, safety and connectivity.

  - ***Language Implementing Federal Transportation Authorization – SAFETEA LU*** -- Language is included governing the allocation of federal funds to reflect the passage of the new federal transportation authorizing legislation, SAFETEA-LU. Provisions of SAFETEA-LU include an increase in the share of federal surface transportation program (STP) and equity bonus funds dedicated to transit from, 6 to 7 percent and 10 to 13 percent respectively.

  - ***Land Conveyance.*** Includes language authorizing VDOT, with approval of the Governor, to transfer surplus property on Route 604 in New Kent County to the County.

  - ***Interstate 99 Feasibility.*** Requires the Secretary of Transportation to initiate a study to determine interest in the construction of a new Interstate highway along the Delmarva Peninsula and the Eastern portions of North and South Carolina.

- **Department of Aviation**

  - *Replacement of State Plane.* Provides an appropriation of $4.5 million NGF in FY 2007 and $500,000 NGF in FY 2008 to fund the replacement of the state's King Air aircraft, which is more than 20 years old. Purchase of the replacement plane – a Citation Encore – would be financed in part with balances in the Aviation Special Fund ($4.0 million) and revenues generated from the trade-in of the King Air ($2.0 million). The remainder would be financed over four years at $500,000 NGF each year. Related language requires the Department to submit a cost-benefit evaluation of the proposed purchase 45 days prior to any such purchase or lease.

  - *Establish Aircraft Maintenance Manager/Pilot Position.* Adds one position to perform in-house general aircraft maintenance and reduce reliance on part-time wage pilots. Savings from contractual maintenance will be used to fund the position.

- **Department of Motor Vehicles**

  - *Fund Redesign of DMV's Citizen Services Computer System.* Dedicates $1.7 million NGF the first year and $7.4 million NGF the second year to begin the redesign of DMV's fragmented customer data applications and replace its antiquated mainframe systems. The project is to be funded with a combination of revenue sources, including: FY 2005 DMV carryover balances of approximately $8.0 million, revenues from the uninsured motorists fund that have been transferred to the general fund in recent years, and a portion of the $1.00 vehicle registration fee assessed to fund the commemoration of Jamestown 2007. The project will be financed over 6 to 7 years through the master equipment lease program. Companion language stipulates that beginning January 1, 2008 the funds collected from the $1.00 additional registration fee shall be dedicated to DMV technology initiatives. Original legislative intent was that this fee would be eliminated as of December 31, 2007. Additional companion language in Part 3 authorizes DMV to retain $3.2 million in the first year and $6.4 million in the second year from the Uninsured Motorists Fund that otherwise would be transferred to the State Corporation Commission.

  - *Fund Implementation of Federal "Real ID" Act.* Provides $1.5 million NGF the first year and $254,190 NGF the second year to enhance DMV's driver's record and social security number verification systems to comply with the federal Real ID Act of 2005. Funds will be used largely for programming costs to link with the Social Security Administration and other state departments of motor vehicles. Language also is included requiring the Department to develop a plan for the implementation of "Real ID" and submit it to the General Assembly by December 1, 2006.

- *Implement Traffic Records Electronic Data System.* Appropriates $1.5 million NGF the first year and $1.2 million NGF the second year to implement the electronic submission of crash reports by law enforcement agencies.

- *Implement Phases II and III of Document Imaging.* Provides $566,867 NGF the first year and $736,901 NGF the second year to continue expanding DMV's electronic document imaging capabilities.

- *Acquire Hauling Permit Software.* Includes an appropriation of $293,317 NGF the first year and $291,020 NGF the second year to procure new software to enhance the hauling permit routing system, thereby decreasing permit turnaround time and improving safety on highways.

- *Implement Central Issuance of Driver's Licenses.* Appropriates $540,433 NGF the first year and $556,646 NGF the second year to cover costs associated with the central issuance of driver's licenses. Funds will be used to establish an office for central issuance and cover related costs, such as postage. This effort is designed to promote security and deter fraud and identity theft.

- *Implementation of Customer Service Centers Report.* Requires the Commissioner to report to the General Assembly by December 1, 2006 on the department's efforts to implement recommendations of the Customer Service Study submitted to the General Assembly in 2005.

- **Department of Rail and Public Transportation**

  - *Appropriate Revenues Dedicated to Rail Enhancement Fund.* Appropriates $23.7 million NGF the first year and $24.2 million NGF the second year to reflect the dedication of 3 percent of the state tax on rental vehicles to a rail enhancement fund created pursuant to legislation adopted by the 2005 General Assembly.

  - *Increase Appropriation for Transportation Efficiency Improvement Fund (TEIF) Program.* Provides for an increase of 25 percent, or $1.0 million NGF each year, to expand commuter assistance programs such as ride-sharing and vanpooling. This brings the total program to $4.0 million NGF each year.

  - *Reflect Local Revenues Dedicated to the Dulles Rail Project.* Increases the appropriation for the Dulles Corridor Metrorail Project by $62.5 million NGF in FY 2007 and $158.6 million NGF in FY 2008 to reflect the local revenues dedicated to the project.

  - *Increase Position Level for Dulles Corridor Metrorail Project.* Adds 10 positions to adequately staff the final design and construction of the Dulles Metrorail project. These positions will be funded from project costs.

- *Add Field Auditor and Information Technology Positions.* Adds two positions for the department's central office operations. The first, a full-time information technology manager, would replace three contractual positions. The second, an auditor, would review the over 250 grants awarded by the department annually.

- *Promotion of Teleworking.* Directs the department to develop model guidelines to promote teleworking in the Commonwealth that could be adopted by private sector firms and to disseminate these guidelines on an electronic basis.

- *Passenger Rail.* Includes language requiring the department to report to the General Assembly on the status of rail service between the Cities of Bristol and Richmond and Washington D.C. and the potential costs and benefits of such a project by January 2, 2007.

- *Dulles Access Road Noise Wall.* Requires that a sound wall be constructed in conjunction with the Dulles Rail project along the Dulles Access/Toll Road Connector to Route 123 in McLean pursuant to provisions of an MOA signed September 28, 2005. The language is contingent upon the Metropolitan Washington Airport Authority paying for the project.

- **Department of Transportation**

  - *Provide Revenue from Vehicle Insurance Premium Tax Revenues.* Deposits $111.3 million GF the first year and $117.6 million GF the second year into the Priority Transportation Fund. These amounts represent the share of insurance premium tax revenues derived from auto insurance premiums (about 27 percent). Combined with other appropriations made to the PTF under current law, these amounts fully cover the debt service requirements of all outstanding FRANs.

  - *Reduce Agency's Maximum Employment Level.* Reduces the department's maximum employment level from 10,322 to 9,822, reflecting a reduction of 500 positions. This position level exceeds the number of currently-filled positions at VDOT and would not require any reduction in employment.

  - *VDOT Reporting Requirements – Comprehensive of Assets, Operations and Expenditures.* Includes language requiring the Department to report by November 30 of each year on the conditions of existing transportation infrastructure and proposed measures to improve operations of the transportation system, including: asset management efforts, outsourcing, privatization and downsizing. The report also shall include an enumeration of bridge projects and at-grade rail crossings. Also required is the development of a six-year maintenance and operations program, no later than July 1, 2007.

- *Require Office of Intermodalism to Recommend Use of Planning Funds to CTB.* Includes language requiring the Office of Intermodalism to recommend to the Commonwealth Transportation Board the use of federal planning funds totaling $4.0 million per year. Language further stipulates that the Office work with MPOs to develop and implement performance goals related to congestion reduction and assist regional bodies in the coordination of land use and transportation planning.

- *Authorize Statewide Freight Study.* Includes language authorizing the use of $1.0 million in planning funds for a statewide freight study as recommended by the April 2005 VTRANs 2025 Action Plan. Language further stipulates that such study shall include an assessment of feasibility of diverting truck traffic from Interstate 81.

- *Traffic Impact Studies.* Assigns responsibility for carrying out the provisions of Chapter 527, 2006 Session relating to coordinating state and local transportation planning to the VDOT Commissioner and directs the department to submit budget requests to the 2007 Session if additional resources are needed to effectively undertake the traffic impact analyses required by the legislation.

- *Access Management Policy.* Language requires the department to develop a legislative proposal for the 2007 Session of the General Assembly to establish a comprehensive limited access management program.

- *Coalfields Expressway.* Directs the department to report on the status of the Coalfield's Expressway and the Coalfield's Connector by November 30, 2006. Such report is to include a financial plan for the project.

- *Route 58 Corridor Development Program.* Includes language requiring VDOT to report on the status of the Route 58 Corridor Program and its Development fund, including the Fund's cash balance, planned spending by district, and planned expenditures over a six year period by July 1 each year.

- *Privatization of Rest Areas.* Language is included requiring the department to accept or solicit PPTA proposals to develop and/or operate rest areas along the state's Interstate highways if Congress should enact legislation to permit such projects.

- *Short Pump Area Headquarters.* Directs the department to seek a replacement for its Short Pump Area Headquarters by December 6, 2006 and make this land available for the highest and best use.

- *Jamestown-Yorktown Land Conveyance.* Authorizes the department to convey a parcel of property adjacent to the Jamestown-Scotland Ferry to Jamestown

Settlement. A companion amendment in the capital outlay section of the budget authorizes VDOT to acquire replacement land on the other side of Route 31.

- *American Shakespeare Center.* Language directs VDOT to erect supplemental guide signs for the American Shakespeare Center, Blackfriars Playhouse at the Interstate 64 and 81 interchanges.

- *FY 2006 General Fund Surpluses for Transportation.* Appropriates $339.0 million in the first year from the general fund for transportation in the first year. The Special Session on transportation did not adopt legislation allocating these funds so they remain unallocated within VDOT.

- **Virginia Port Authority**

  - *Increase Commonwealth Port Fund Debt Service Appropriation.* Increases the Commonwealth Port Fund debt service appropriation by $939,942 NGF the first year and $625,008 NGF the second year to reflect the debt service costs of previously authorized debt.

  - *Increase Special Fund Debt Service.* Appropriates an additional $7.1 million NGF the first year and $7.9 million NGF the second year for a special fund debt service appropriation to cover debt service expenses related to $90.0 million in Terminal Revenue Bonds issued to make improvements at Norfolk International Terminals – North to accommodate Suez-class ships and funding for additional cranes and straddle carriers purchased through the master equipment lease program.

  - *Increase Funding for Port Security.* Increases the appropriation for fencing, gates and cameras to enhance port security by $684,303 NGF the first year and $800,000 NGF the second year. A companion amendment provides $300,000 NGF in the first year and $350,000 NGF in the second year to fund six new security positions, enough to man one post, 24 hours a day, 7 days a week.

  - *Provide Security at APM Terminal in Portsmouth.* Provides $150,000 NGF and 15 positions the first year, and $845,000 NGF the second year to provide security services at the APM terminal in Portsmouth. Funding for this activity comes from charges paid by Maersk for the security services.

  - *Increase Funding for Payments in Lieu of Taxes.* Provides an additional appropriation of $50,000 NGF in the first year and $100,000 NGF in the second year to provide additional payments in lieu of taxes to reflect the increased value of Port Authority property.

- *Increase Aid to Local Ports.* Increases by $220,000 NGF each year the funds dedicated to the Aid to Local Ports program. This action largely restores funding cut from this program in the early 2000s to $800,000 per year.

- *Establish Marketing Presence in India.* Appropriates $50,000 NGF each year to establish a marketing presence in India.

- *Host 2007 American Association of Port Authorities Conference.* Includes an appropriation of $700,000 NGF in the first year and $800,000 NGF the second year to cover the costs of hosting the American Association of Port Authorities conference in November 2007. Registration fee revenue is the source for most of this appropriation.

- *Increase Appropriation for Operational Maintenance.* Recommends an additional $1.4 million NGF each year for maintenance on the closed circuit television security camera system and security buildings at Norfolk International Terminals and Portsmouth Marine Terminal.

- *Increase Appropriation for Contractual Services and Supplies and Administrative Activities.* Recommends a total of $186,956 NGF the first year and $188,854 NGF the second year to cover increased costs for various routine services and supplies and to fund one additional administrative staff position in the security area.

- *Employee Benefit Plan Cost Increases.* Proposes two amendments to cover increased costs in the defined benefit pension plan and other employee benefits totaling $300,000 NGF in the first year and $582,918 NGF in the second year.

- **Board of Towing and Recovery Operations**

  - *Establish Towing and Recovery Operations Board.* Includes an appropriation of $350,000 NGF and 3 FTEs each year to carry out the provisions of Chapters 874 and 891 of the 2006 Session which establish a new Towing and Recovery Operations Board. The Department of Treasury is directed to provide a treasury loan of up to $350,000 each year for start-up costs associated with the Board. Revenues received by the Board during the biennium will be used to repay the treasury loans.

Central Appropriations

Central Appropriations serves as a holding account for contingent funds, for unallocated cost increases and decreases, and for the Personal Property Tax Relief appropriation. A total of $2,420.3 million GF is included in the Central Appropriations for the 2006-08 biennium, an increase of $488.5 million above the adjusted base budget.

Major general fund amounts include: $243.9 million GF for state employee and state-supported local employee salary increases in FY 2007, $83.4 million GF for state employee and state-supported local employee salary increases in FY 2008, $71.2 million GF for the increased cost of state employee health insurance, $68.1 million for the increased cost of VRS-administered retirement and other benefit programs, $51.4 million GF for semiconductor performance grant programs, $25.0 million GF to assist impacted localities implement and respond to the approved recommendations of the 2005 Base Realignment and Closure Commission (BRAC), and $15.1 million GF for the Governor's Opportunity Fund. In addition, a base budget adjustment of $207.6 million GF is provided in order to fund the Personal Property Tax Relief program at the $950.0 million annual level.

Although not budgeted to Central Appropriations, a series of amendments to agency budgets provide a total $32.4 million GF for miscellaneous insurance, procurement, and VITA rate increases.

Nongeneral fund appropriations of $96.9 million are included for the Tobacco Settlement funds.

- **Planning, Budgeting, and Evaluation**

  - ***Continue Funding for the Council on Virginia's Future.*** Provides an additional $2.3 million GF the first year to support the Council's efforts to increase state government productivity and efficiency. This brings total funding available for this program to $4.3 million GF the first year and $1.0 million GF the second year. Budget language requires that funding support activities to: 1) re-engineer processes performed by multiple agencies and examine opportunities for collaboration/consolidation, 2) review operations of large agencies to improve service delivery, and 3) establish results teams to identify new productivity projects and improve the use of performance measurement in the Commonwealth.

  - ***Transfer Council on Virginia's Future Operating Support to Department of Planning and Budget (DPB).*** Transfers $500,000 GF each year to DPB to cover expenses associated with meetings, consultants, and Council activities.

- **Teachers' Group Life Insurance Rate Reduction.**

  - *Group Life Insurance Rate Reduction.* Captures savings of ($2.9) million GF the first year and ($2.9) million GF the second year in Direct Aid to Public Education from lower contribution rates for the group life insurance and retiree health care credit program based on an investment return assumption of 8.0 percent. The Group Life rate will decrease from 0.49 percent to 0.45 percent and the Retiree Health Care Credit rate will decrease from 0.56 percent to 0.49 percent.

- **Compensation Supplements**

  - *State Employee November 25, 2006 Salary Increase.* Provides $44.4 million GF the first year and $115.6 million GF the second year to fund a four percent average salary increase for classified state employees effective November 25, 2006. To be eligible for the four percent increase, employees must receive at least a "Contributor" rating on their most recent performance evaluation.

  - *State Agency Employee Pay Practices.* Includes $5.6 million GF the first year and $10.2 million GF the second year for use by state agencies to implement pay practices and to address recruitment, retention, and other state employee-related compensation issues. The funding proposed is equivalent to a one-half of one percent of general fund state salaries.

  - *State-Supported Local Employees December 1, 2006 Salary Increase.* Provides $19.6 million GF the first year and $48.5 million GF the second year to fund a four percent average salary increase effective December 1, 2006 for state-supported local employees. State-supported local employees include constitutional officers and their employees, local social services employees, local election board employees, and local health department employees..

  - *FY 2008 Salary Increase.* Includes $83.4 million GF the second year to fund a salary increase for public employees. The actual percentage increase for FY 2008 will be determined at the 2007 session of the General Assembly

  - *Virginia Retirement System Employer Contribution Rates.* Includes $21.1 million GF the first year and $31.8 million GF the second year to fund the revised employer contribution rates for the VRS state employee retirement system, the State Police Officers Retirement System (SPORS), the Virginia Law Officers Retirement System (VaLORS), and the Judicial Retirement System (JRS).

    The Virginia Retirement System Board of Trustees certified rates based on a valuation of assets and liabilities using an assumed investment return of 7.5 percent, a cost-of-living increase of 2.5 percent, and an amortization period of 21 years. However, budget language establishes the employer contribution rates based on a valuation of assets and liabilities using an assumed investment return

of 8.0 percent, a cost-of-living increase of 3.0 percent, and an amortization period of 30 years for FY 2007 and 21 years for FY 2008.

- *Virginia Sickness and Disability Program Employer Contribution Rates.* Provides $2.5 million GF the first year and $2.6 million GF the second year to fund the revised employer contribution rates for the Virginia Sickness and Disability Program.

- *State Employee Retiree Health Insurance Credit.* Provides $952,000 GF the first year and $990,000 GF the second year to fund the removal of the 30 year cap on the Retiree Health insurance Credit for state employees as provided for in Chapter 622 (2006 Acts of Assembly).

- *Group Life Insurance Contribution Rates.* Includes $6.8 million GF the first year and $7.1 million GF the second year to fund the revised employer contribution rates for the group life insurance program administered by the Virginia Retirement System. A premium holiday has been in effect for the group life insurance program since July 2002.

- *Longwood University Compensation.* Provides $317,203 GF each year for the correction of internal compensation alignment at Longwood University.

- **State Employee Health Benefits**

  - *State Employee Health Insurance Program.* Provides $30.1 million GF the first year and $31.5 million GF the second year to fund the employer's share of the 9.9 percent increase projected by the program's actuary in FY 2007 for the state employee health insurance program. Employee premiums will also increase an average of about 9.9 percent in FY 2007.

    In addition, $4.7 million GF the first year and $4.9 million GF the second year is proposed to support enhanced prevention and wellness coverage by eliminating certain out-of-pocket costs for routine medical provider visits and tests. The cost of this additional benefit would be funded entirely by the state with no additional increase in the employee monthly premium due to these proposed enhancements.

- **Personal Property Tax Relief**

  - *Personal Property Tax Relief.* Recommends a base budget adjustment of $207.6 million GF each year in order to fully fund the Personal Property Tax Relief program at the $950.0 million annual amount.

- **Tobacco Settlement**

  - *Tobacco Settlement and Revitalization Fund.* Includes an amendment to adjust the appropriation for the Tobacco Indemnification and Community Revitalization Fund and the Tobacco Settlement Fund to reflect a revision in the projection of the Commonwealth's allocation of the Master Settlement Agreement funds and to account for the securitization of tobacco proceeds. The proposed is a reduction of $29.7 million NGF in the first year and $26.7 million NGF in the second year and will bring total funding to $47.0 million NGF in the first year and $50.0 million NGF in the second year.

- **Economic Contingency**

  - *Legal Defense Services.* Provides an additional $50,000 GF each year for reimbursing agencies for private legal services. The total amount for this program is $100,000 GF each year.

  - *Semiconductor Manufacturing Performance Grants.* Includes additional funding of $14.2 million GF the first year and $23.0 million GF the second year as incentive payments, to eligible semiconductor manufacturers who met investment and job creation thresholds contained in statute. Total funding for Semiconductor Manufacturing Grants is $14.2 million GF the first year and $37.2 million GF the second year.

  - *Aerial Photography and E-911 Address File.* Provides $3.1 million GF the first year to update the Virginia Base Mapping Program to incorporate high resolution digital orthophotography and statewide digital address files into a new statewide imagery base that will be available to state and local governments.

  - *Digital Base Map Quality Control.* Provides $542,500 GF the first year to the Virginia Information Technologies Agency (VITA) to secure the services of a private sector firm to ensure that the agency's update of the digital base map of Virginia is accurate prior to its distribution to state or local government agencies.

  - *Indemnity Payments.* Includes budget language authorizing the Governor to use up to $1.5 million from the unappropriated general fund balance to pay growers, producers, and owners of poultry and livestock who sustain economic losses, under certain conditions, resulting from disease outbreak or natural disaster.

  - *Governor's Development Opportunity Fund.* Provides an additional $6.1 million GF the first year to be deposited to the Fund to attract economic development prospects to locate or expand in Virginia. Total funding for the Governor's Development Opportunity Fund is $15.1 million the first year.

- *Virginia Investment Partnership.* Includes $425,000 GF the first year and $1.1 million GF the second year for investment performance grants. Seven eligible companies will receive previously authorized grants in 2006-2008 for significant capital investments made in Virginia.

- *Infineon Technologies and VCU.* Provides $3.0 million GF the first year to support VCU's School of Engineering, a $1.0 million GF increase of current funding levels. The funds may be used for scholarships, endowed professorships in microelectronics and other related needs of the industry. The amendment is part of the agreement reached with Infineon. The company has expanded its operations in Virginia.

- *Micron Technology and Higher Education.* Recommends $2.0 million GF the second year with $1.0 million used for establishing a Northern Virginia Community College training program in microelectronics and $1.0 million to the Virginia Microelectronics Consortium.

- *Governor's Motion Picture Opportunity Fund.* Provides $1.3 million GF the first year to attract film industry production to Virginia. Another 500,000 GF the first year is included in the Virginia Tourism Authority's budget to promote film activities.

- *Base Realignment and Closure Assistance.* Provides $12.5 million GF each year to assist impacted localities implement and respond to the approved recommendations of the 2005 Base Realignment and Closure Commission. The grants must be matched by the requesting localities, and priority will be given to projects with regional impact. The applications for assistance are to be approved by the Governor based on evaluations done by the state.

- *Economic Contingency Fund.* Provides $1.1 million GF be for each year for unbudgeted or unanticipated emergencies or expenses. In addition, the Governor may use up to $2.0 million from the unappropriated general fund balance, and $1.0 million GF each year from the Governor's Development Opportunity Fund for these purposes.

- *Mileage Reimbursement Rate.* Includes $1.6 million GF each year to increase the reimbursement rate for use of a personal vehicle on State business from the current $0.325 per mile to the IRS allowed rate of $0.445 per mile.

- **Insurance, Procurement, and VITA Rates**

  - *Fund Agency VITA, Procurement, and Insurance Rates.* Although not budgeted to Central Appropriations, a series of amendments to agency budgets provide a total $32.4 million GF for miscellaneous insurance, procurement, and VITA rate increases.

Insurance, Procurement and VITA Rates

Rate	$ GF FY 2007	$ GF FY 2008	TOTAL
eVa Surcharge	$ 3.3	$ 3.3	$ 6.5
Property Insurance Premiums	3.1	6.2	9.2
DGS Rent Plan	1.9	1.7	3.5
Shared VITA rates & Contracts	2.8	2.8	5.5
Vita ITIM & ITSM Rates	2.4	2.4	4.8
VITA Salary Increases	1.0	1.0	1.9
Workers Compensation	0.3	0.6	0.8
Total	**$ 14.6**	**$ 17.8**	**$ 32.4**

Independent

The budget for the 2006-08 biennium includes $613,570 GF and $663.9 million NGF for the independent agencies. Although no general fund actions are included for these agencies, the budget provides nongeneral fund increases of $19.4 million, for a net biennial increase of 3.0 percent when compared to the adjusted appropriation for current operations.

The amendments include an additional $5.4 million NGF to provide additional staff, information technology, and salary adjustments for the Virginia Retirement System's investment department, $3.2 million NGF to address workload issues in the administration of retirement benefits, $5.4 million NGF to increase revenues appropriated for the Workers' Compensation Commission, $1.4 million NGF for the Workers' Compensation Commission to hire additional attorneys, and $3.7 million NGF for the State Corporation Commission to assume fiscal responsibility for the telephone services provided to the deaf and hard of hearing.

- **Virginia Retirement System**

  - ***Provide Funding for Investment Staff Incentive Pay Plan.*** Includes $1.3 million NGF each year to increase the salaries of the agency's investment staff. The agency has an incentive pay plan for the investment staff in order to attract and retain quality professionals.

  - ***Provide Staffing for Administration of Benefits and Retirement Programs.*** Provides $1.6 million NGF and 11 positions the first year and $1.6 million NGF the second year to address the increasing number of retirement applications being filed by an aging state and local government workforce.

  - ***Provide Staffing for Investment Department Workload Increases.*** Adds $1.1 million NGF and seven positions the first year and $1.1 million NGF the second year to address workload increases in the Investment Department that stem from the increasing percentage of the Retirement System's portfolio managed in-house.

  - ***Provide for Investment Department Data Needs.*** Provides $492,640 NGF and two positions the first year and $488,640 NGF the second year to develop the software and data feeds necessary to manage the Retirement System's investment portfolio in-house. In-house management yields savings to the Retirement System from reduced external management fees.

  - ***Review of the Virginia Sickness and Disability Program.*** Provides $75,000 NGF the first year for post-implementation review of the Virginia Sickness and Disability Program.

- **State Corporation Commission**

  - *Assume Administrative Responsibility for CapTel Service Costs.* Includes $1.5 million NGF the first year and $2.2 million NGF the second year to assume fiscal responsibility for the CapTel service from the Department for the Deaf and Hard of Hearing (VDDHH). Federal restrictions that previously required the State Corporation Commission to pass invoices for this service to VDDHH have been eliminated.

- **Virginia Office of Protection and Advocacy**

  - *Delay Implementation of Ombudsman Program.* Language delays implementation of the agency's ombudsman program to July 1, 2008.

- **Workers' Compensation Commission**

  - *Increase Nongeneral Fund Appropriation.* Includes $2.7 million NGF each year to augment the amounts available for crime victim compensation, services for the uninsured employers' fund, and other administrative needs. The source of nongeneral fund revenues is federal payments from the U.S. Department of Justice and workers' compensation premiums paid by private sector employers.

  - *Provide Additional Attorney Services.* Provides $767,818 NGF and 11 positions the first year and $767,818 NGF the second year to provide attorney services to injured workers of uninsured employers and to conduct administrative changes to improve the services provided to other agency clients.

Nonstate Agencies

The adopted 2006-08 budget provides $36.7 million GF the first year for grants to the 312 nonstate agencies in the table.

In addition, language governing these grants is amended to clarify the role of the Department of Historic Resources in administering both the grants to museums and historic sites and other nonstate entities per the relevant statutory requirements.

	FY 2007	FY 2008
4-H Education Centers	$300,000	**$0**
Academy of Music	3,500	**0**
Air Force Memorial Foundation	350,000	**0**
Alliance to Conserve Old Richmond Neighborhoods (ACORN)	12,500	**0**
American Frontier Culture Foundation	500,000	**0**
American Horticultural Society	10,000	**0**
American Legion Post 74, Inc.	6,000	**0**
American Shakespeare Theatre - Globe Theatre Planning	50,000	**0**
American Shakespeare Center	25,000	**0**
An Achievable Dream, Inc.	400,000	**0**
Archareum at Historic Jamestown; Assoc. Preservation of VA Antiquities	350,000	**0**
Arlington Arts Center	50,000	**0**
Arlington Signature Theatre	75,000	**0**
Art Museum of Western Virginia	1,750,000	**0**
Artisans Center of Virginia, Inc.	25,000	**0**
Arts Enters Cape Charles, Inc.	12,500	**0**
Attic Productions	300,000	**0**
Autism Center of Virginia	12,500	**0**
AVOCA Museum and Historical Society	5,000	**0**
Barksdale Theater at Hanover Tavern	30,000	**0**
Barter Foundation, Inc.	200,000	**0**
Bay School Cultural Arts Center	10,000	**0**
Bedford Academy for the Arts	100,000	**0**
Bedford Ride*	60,000	**0**
Belle Grove Plantation	50,000	**0**
Ben Lomond Historic Site	37,500	**0**
Benedictine Aid & Relief for Neighbors (BARN) Homeless Shelter	30,000	**0**
Beverly Mill	12,500	**0**
Birmingham Green	600,000	**0**
Birthplace of County Music Alliance	600,000	**0**
Black History Museum and Cultural Center of Virginia	50,000	**0**
Black Women United for Action	50,000	**0**
Bloxom Volunteer Fire Department	12,500	**0**
Blue Ridge Foundation	15,000	**0**
Blue Ridge Zoological Society of Virginia, Inc.	40,000	**0**
Brentsville Historic Courthouse Centre	25,000	**0**
Bridging Boundaries International	25,000	**0**
Briery Branch Community Club	5,000	**0**
Bristoe Battlefield Heritage Park	25,000	**0**
Bristol Fire Museum	75,000	**0**
Buena Vista Colored School Historical Society, Inc.	5,000	**0**
Camp Virginia Jaycee, Inc.	12,500	**0**
Carver-Price Legacy Museum*	10,000	**0**
Celebrating Special Children	50,000	**0**
Chantilly Youth Association	7,500	**0**

	FY 2007	FY 2008
Charlottesville Area Dental Access	25,000	0
Chesapeake Arboretum	5,000	0
Children's Museum of Virginia; to the City of Portsmouth	300,000	0
Chrysler Museum	500,000	0
City of Manassas Museum Expansion	100,000	0
City of Petersburg - Historic Battersea	50,000	0
Civil War Preservation Trust	250,000	0
Claremont Town Hall Roof	17,500	0
Clarke County Historical Association	18,750	0
Clarksville Regional Museum	5,000	0
Clover Community Center	25,000	0
Cold War Museum	100,000	0
Colonial Beach Historical Society	5,500	0
Colonial Williamsburg Foundation	125,000	0
Com. of Social Ministry of Portsmouth / Chesapeake	50,000	0
Community Builders Network, Inc.	12,500	0
Connor House	100,000	0
Contemporary Art Center of Virginia	175,000	0
Corrottoman Civic Center	20,000	0
Council for America's First Freedom	1,000,000	0
County of Appomattox	10,000	0
Culpeper Calvary Museum	40,000	0
Danville Museum of Fine Arts and History	75,000	0
Discovery of Flight Foundation, Spirit of '08	25,000	0
Domestic Violence Emergency Services (DOVES)	10,000	0
Doorways for Women and Families	137,500	0
Downing Gross Cultural Arts Center	12,500	0
Drakes Branch Volunteer Fire Department	15,000	0
E.N.S. Foundation of America	15,000	0
Elegba Folklore Society, Inc.	12,500	0
Elk Hill	50,000	0
Empowerment 2010, Inc.	100,000	0
Endview Plantation	50,000	0
Fairfax Partnership for Youth, Inc.	25,000	0
Fairfax Symphony Orchestra	10,000	0
Fairfield Foundation	5,000	0
Fairview Community Center	25,000	0
Faison School for Autism	35,000	0
Falls Church Housing Corporation	75,000	0
FFA-FCCLA Center	25,000	0
Field of Dreams, Inc.	37,500	0
Fisher House Foundation	750,000	0
Flory Small Business Center	32,500	0
Floyd County Historical Preservation Trust	12,500	0
For Inspiration and Recognition of Science and Technology (FIRST)	75,000	0

	FY 2007	FY 2008
Fort Lee Quartermaster Museum Foundation	100,000	0
Fort Ward Museum and Historic Site	18,500	0
Foundation for Historic Christ Church	50,000	0
Franconia Museum	5,000	0
Fredericksburg Area Museum and Cultural Center	200,000	0
Fredericksburg Area War Memorial	25,000	0
Freedom Museum	100,000	0
Friends of the Portsmouth Public Library, Inc.	100,000	0
Friends of Wilderness Battlefield	12,500	0
Gadsby's Tavern Museum	37,500	0
George C. Marshall Foundation	100,000	0
Girls Incorporated, for Operation SMART	5,000	0
Gloucester-Mathews Humane Society, Inc.	17,500	0
Great Bridge Battlefield & Waterways History Foundation	100,000	0
Great Dismal Swamp Interpretive Center, to the City of Suffolk	25,000	0
Greater Reston Arts Center	75,000	0
Greater Richmond Association for Retarded Citizens	250,000	0
Greater Works Community Development Corporation	20,520	0
Hampton Roads Arts Trust	100,000	0
Hampton University Museum Foundation	75,000	0
Hanover Arts and Activities Center, Inc.	5,000	0
Harrison Museum of African American Culture	75,000	0
Highland Center	1,000	0
Historic Bluff Point School, Bluff Point Community League	5,000	0
Historic Buckingham, Inc.	10,000	0
Historic Crab Orchard Museum & Pioneer Park	30,000	0
Historic Ratcliffe Cemetery, to the City of Fairfax	5,000	0
Historical Society of Western Virginia	25,000	0
Hoffler Creek Wildlife Preserve Nature Center	75,000	0
Holiday House of Portsmouth, Inc.	50,000	0
Hopewell Preservation, Inc.	100,000	0
Hurrah Players, Inc.	25,000	0
Independent Order of Oddfellows 1842 Charity Lodge No. 27	5,000	0
Jack Kestner Natural Area, to the Nature Conservancy for	20,000	0
James Madison Museum	40,000	0
James Monroe Museum	50,000	0
Jewish Community Center	100,000	0
Jewish Council for the Aging	70,000	0
Jewish Social Service Agency	100,000	0
John Marshall Foundation	12,500	0
Jubal A. Early Preservation Trust	5,000	0
Julian Stanley Wise Foundation	12,500	0
Ker Place	12,500	0
Kinsale Foundation	15,000	0
Laurel Grove School Association	2,500	0

	FY 2007	FY 2008
Lee Hall Depot	12,500	0
Lee Hall Mansion	12,500	0
Lee-Jackson Camp #1, The Sons of Confederate Veterans	7,500	0
Let's Talk It Out Not Act It Out Program, to the Town of Tazewell	2,500	0
Lewis and Clark Exploratory Center	100,000	0
Lewis B. Puller Center	12,500	0
Lime Kiln Theater	1,000	0
Loudoun Youth, Inc.	12,500	0
Louisa County Historical Society	12,500	0
Lousia Town Hall and Art Center	50,000	0
Lynnhaven House	75,000	0
Marine Corps Heritage Foundation	750,000	0
Mary Ball Washington Museum and Library	25,000	0
Maryview Foundation Healthcare Center	100,000	0
Maymont Foundation	600,000	0
McLean Project for the Arts	25,000	0
Menokin Foundation	20,000	0
Metropolitan Richmond Sports Backers	25,000	0
Middle Peninsula Chesapeake Bay Public Access	20,000	0
Mill Mountain Theatre	75,000	0
Mineral Historic Foundation	10,000	0
Missions of Mercy Dental Outreach Program	12,500	0
Montgomery Museum and Lewis Miller Regional Art Center	12,500	0
Montpelier Center for Arts and Education	37,500	0
Montpelier Foundation	200,000	0
Morattico Waterfront Museum	15,000	0
Moton Community House	5,000	0
Mountain Valley Charitable Foundation	20,000	0
Mt. Zion Church Preservation Association	25,000	0
Museum of the Shenandoah Valley	350,000	0
National D-Day Memorial	600,000	0
National Museum of Americans at War	750,000	0
National Museum of the U.S. Army	500,000	0
National Rehabilitation & Rediscovery Foundation	75,000	0
Neediest Kids	12,500	0
Nelson County Rural Health Outreach Program	12,500	0
New Market Library	25,000	0
New Point Lighthouse	50,000	0
Newsome House Museum and Cultural Center	25,000	0
Norfolk Botanical Garden	50,000	0
Northern Neck Farm Museum	10,000	0
Northern Neck of Virginia Historical Society	75,000	0
Northern Virginia Dental Clinic	12,500	0
Northern Virginia Family Service*	400,000	0
Northern Virginia Regional Park Authority*	125,000	0

	FY 2007	FY 2008
Northstar Academy	25,000	0
Norview Middle School Boys and Girls Club	12,500	0
Oatlands Plantation	25,000	0
Ocean View Station Museum	5,000	0
Old Dominion Eye Foundation	50,000	0
Opera Roanoke	5,000	0
Our Military Kids, Inc.	100,000	0
Paramount Theater of Charlottesville, Inc.	20,000	0
Patrick County Music Association	35,000	0
Paxton House Historical Society, Inc.	15,000	0
Peninsula Fine Arts Center	500,000	0
Pentagon Memorial Fund, Inc.	100,000	0
Piedmont Access to Health Services, Inc.	37,500	0
Piedmont Virginia Dental Health Foundation	25,000	0
Pocohontas Train Station	5,000	0
Poquoson History Museum	87,500	0
Portsmouth Community Concerts	25,000	0
Portsmouth Scottish Rite Foundation, Inc.*	50,000	0
Positive Vibe Cafe	62,500	0
Prince Hall and Accepted Masons*	12,500	0
Prince William Amphitheatre	5,000	0
Providence Place Behavior Modification*	50,000	0
Pulaski Theatre	50,000	0
Purcellville Teen Center	7,500	0
R.E. Lee Commission	1,000	0
Railroad Museum of Virginia, Inc.	50,000	0
Ralph Stanley Museum and Traditional Music Center	50,000	0
Reading & Education for Adult Development, Inc.	25,000	0
Red Hill, to the Patrick Henry Memorial Foundation	5,000	0
Reedville Fishermen's Museum	100,000	0
Remote Area Medical/St. Mary's Health Wagon	12,500	0
Reston Historic Trust	10,000	0
Rice's Hotel/Hughlett's Tavern	5,000	0
Richmond Ballet	500,000	0
Richmond Boys Choir	5,000	0
Richmond County Museum	11,500	0
Rippon Lodge	10,000	0
Roanoke Symphony Orchestra	20,000	0
Rockingham County Fair Association, Inc.	10,000	0
Rosenwald School: Citizens United to Preserve Greensvl Co. Training Sch	50,000	0
Saint John's Church Foundation	15,000	0
Saint Luke's Church (1632)	10,000	0
Salem Museum and Historical Society	440,000	0
Sanders House Center, Graham Historical Society	5,000	0
Sandler Center for the Performing Arts	1,460,000	0

	FY 2007	FY 2008
Sandy River Community Park	12,500	0
Schooner Virginia Project	400,000	0
Science Museum of Western Virginia	500,000	0
SERVE Homeless Shelter	20,000	0
Shenandoah Valley Battlefield Foundation	100,000	0
Shenandoah Valley Discovery Museum	500,000	0
Six House, Inc.	5,000	0
Southeast Rural Community Assistance Project	15,000	0
Southwestern Youth Association	25,000	0
Special Olympics Virginia	100,000	0
St. Joseph's Villa, the Dooley School	50,000	0
Staunton Performing Arts Center	200,000	0
Steamboat Era Museum	50,000	0
Stonewall Camp #380, Confederate Monument	5,000	0
Stratford Hall	50,000	0
Suffolk Center for Cultural Arts	125,000	0
Suffolk Museum of African American History	12,500	0
Swift Creek Mill Theatre, Inc.	75,000	0
Tameroa Maritime Foundation	5,000	0
The Haven	75,000	0
Theatre IV	25,000	0
Therapeutic Riding Association Horse Show	3,000	0
Thomas Jefferson's Poplar Forest	750,000	0
TodiMusicFest, Inc.	25,000	0
Town of Clarksville	5,000	0
Trail of the Lonesome Pine	32,500	0
United States Biology Olympiad (USABO)	25,000	0
USS Monitor Center at the Mariners Museum	750,000	0
Valentine Richmond History Center	50,000	0
Vienna Town Green	12,500	0
Village View Foundation	15,000	0
Vinton War Memorial	25,000	0
Virginia Air and Space Museum	1,000,000	0
Virginia Alliance of Boys and Girls Clubs	50,000	0
Virginia Aquarium and Marine Science Center	500,000	0
Virginia Arts Festival	400,000	0
Virginia Ballet Theatre	30,000	0
Virginia Beach Convention Center	125,000	0
Virginia Center for Architecture Foundation	62,500	0
Virginia Center for the Creative Arts	150,000	0
Virginia Commonwealth Games	5,000	0
Virginia Council on Economic Education	37,500	0
Virginia Economic Bridge, Inc.	137,500	0
Virginia Foundation for Agriculture in the Classroom	25,000	0
Virginia Foundation for Housing Preservation	25,000	0

	FY 2007	FY 2008
Virginia Historical Society	350,000	0
Virginia Home for Boys and Girls	50,000	0
Virginia Horse Council	30,000	0
Virginia Living Museum	750,000	0
Virginia Maritime Heritage Foundation	37,500	0
Virginia Museum of Transportation	87,500	0
Virginia Opera	75,000	0
Virginia Quality Life	300,000	0
Virginia Recreational Facilities Authority Explore Park	200,000	0
Virginia Senior Games: Foundation of Virginia Recreation & Park Society	75,000	0
Virginia Sports Hall of Fame	50,000	0
Virginia Stage Company	80,000	0
Virginia Symphony Orchestra	100,000	0
Virginia War Museum	500,000	0
Virginia YMCA	15,000	0
Virginia Zoo	25,000	0
Visual Arts Center of Richmond	25,000	0
Warren Coalition-Free Wheeling Handicapped Playground	25,000	0
Warwick Courthouse	12,500	0
Washington Area Housing Trust Fund	50,000	0
Washington Rochambeau Revolutionary Route	10,000	0
Washington's Ferry Farm	350,000	0
Watermen's Museum	150,000	0
Waynesboro Heritage Foundation	25,000	0
Wayside Theatre	12,500	0
Western VA Foundation for the Arts & Sciences (Center in the Square)	200,000	0
Westmoreland County Museum	100,000	0
Westmoreland Poor School Society*	15,000	0
Weston Manor, to the Historic Hopewell Preservation Foundation	150,000	0
White House of the Confederacy: Confederate Memorial Literary Society	50,000	0
William Atkinson Jones Memorial	5,000	0
William King Regional Arts Center	200,000	0
Williamsburg Area Performing Arts Center	12,500	0
Williamsburg-James City County 400th Anniversary Memorial Placard	5,000	0
Winchester- Frederick County Historical Society	20,000	0
Wolf Creek Indian Village and Museum	5,000	0
Wolf Trap Foundation for the Performing Arts	1,250,000	0
Woodrow Wilson Presidential Library	2,000,000	0
Woodstock Museum of Shenandoah County	5,000	0
Working Watermen's Memorial	2,000	0
Youth Challenge, Inc.	67,500	0
Youth Corporation, Inc	12,500	0
TOTAL	**$36,714,770**	**$0**

*Exempt from matching requirements.

Capital Outlay

The approved budget for 2006-08 provides over $2.3 billion for capital construction and maintenance. Of this amount, more than $1.0 billion is from the general fund, largely for new construction and renovation projects at higher education institutions. The budget also includes bonding authority for revenue generating projects totaling $719.5 million. Finally, the budget includes $90.0 million in Virginia Port Authority bonds for improvements at the Norfolk International Terminal.

Through separate legislation the General Assembly also approved the use of about $201.9 million in tax-supported debt from the in Virginia Public Building Authority (VPBA) bonds for the completion of the State Agency Radio System (STARS).

Capital Outlay Funding
(2006-08 biennium)

Fund Type	$ Millions
General Fund	$1,020.7
VPA Bonds	90.0
9(c) Revenue Bonds	213.0
9(d) NGF Revenue Bonds	506.5
Nongeneral Funds	519.6
Total Capital Funds	**$2,349.8**
Separate Bond Authorizations	
STARS Radio (VPBA)	201.9
GRAND TOTAL	**$2,604.5**

Descriptions of selected projects follow.

- **Capital Project Cost Overruns and Supplements**

  – ***Project Supplements.*** Provides $166.2 million GF to supplement previously approved capital projects that have experienced or are projected to experience significant cost increases in construction costs. The funding supplements include $150.5 million for higher education institutions, about 40 percent of which is provided to the Virginia Community College System. Separate language indicates

the estimated amount funded for each project in the Virginia Community College System and requires that the projects be evaluated to include potential cost savings before funds are transferred to a particular project. The language also requires that the projects maintain their original programmatic intent.

Also included is $12.1 million for cost overruns to capital projects in the Department of Corrections, the Department for the Blind and Vision Impaired, the Department of Agriculture and the Department of Forestry.

The remaining $3.6 million GF is provided for projected cost overruns at the Sitter-Barfoot Veterans' Center in Richmond which are ineligible for federal reimbursement.

General Fund Project Supplements
2006-08 Biennial Project Totals
($ Millions)

Title	Cost Overrun	Other & Scope	GF Total
Administration			
Department of Veterans Services			
New Veterans' Care Center Cost Overrun	3.6	0.0	3.6
Total: Office of Administration	**3.6**	**0.0**	**3.6**
Commerce and Trade			
Department of Agriculture and Consumer Services			
Harrisonburg Lab Cost Overrun	0.8	0.0	0.8
Forestry			
Abingdon Mechanic Shop and Cold Storage Supplement	0.2	0.0	0.2
Area Offices Grayson and Carroll Counties Supplement	0.2	0.0	0.2
Total: Office of Commerce & Trade	**1.1**	**0.0**	**1.1**
Education			
Christopher Newport University			
Gosnold Hall Cost Overrun	2.3	0.0	2.3
Richard Bland College			
Renovate and Expand Art Building and Library Cost Overrun	0.4	0.0	0.4
Marine Science (VIMS)			
Marine Research Building Complex Cost Overrun	6.0	0.0	6.0
George Mason University			
Renovate Thompson, West and Pohick Cost Overrun	3.8	0.0	3.8

Construct Academic V, Fairfax Cost Overrun	3.6	0.0	3.6
James Madison University			
Miller Hall Cost Overrun	1.0	0.0	1.0
CISAT Library Cost Overrun	1.6	0.0	1.6
Longwood University			
Stormwater Retention Improvements Cost Overrun	0.2	0.0	0.2
Bedford Wygal Connector Cost Overrun	2.1	0.0	2.1
Modernize Heat Plant, Phase II Cost Overrun	1.2	0.0	1.2
Renovate Lancer Gym and Willet Hall Supplement	0.1	0.0	0.1
University of Mary Washington			
James Monroe Campus Building 2 Cost Overrun	2.3	0.0	2.3
Lee Hall Cost Overrun	2.0	0.0	2.0
Norfolk State University			
Renovate Robinson Building Cost Overrun	1.8	0.0	1.8
RISE Center Cost Overrun	3.0	0.0	3.0
Police and Public Safety Building Cost Overrun	1.0	0.0	1.0
Radford University			
Renovate Young Hall Cost Overrun	1.0	0.0	1.0
University of Virginia			
Cavalier Substation Cost Overrun	0.9	0.0	0.9
Main Heating Plant Upgrade Phase II and Cost Overrun	7.2	0.0	7.2
MR-6 Cost Overrun	3.2	0.0	3.2
Gilmer Labs Cost Overrun	0.6	0.0	0.6
Arts and Sciences Building Cost Overrun	2.5	0.0	2.5
Fayerweather Hall Cost Overrun	6.0	0.0	6.0
Virginia Commonwealth University			
Massey Cancer Center Addition Cost Overrun	6.0	0.0	6.0
Construct Medical Science Building, Phase II Supplement	0.0	8.0	8.0
Renovate Music Center Cost Overrun	0.7	0.0	0.7
Virginia Community College System			
Capital Project Cost Overruns, System-wide	59.2	0.0	59.2
Virginia Military Institute			
Mallory Hall Cost Overrun	2.9	0.0	2.9
Virginia Tech			
Institute for Critical Technology and Applied Science, Phase I Cost Overrun	4.0	0.0	4.0
Fine Arts Center / Henderson Hall Cost Overrun	3.9	0.0	3.9
Building Construction Lab Cost Overrun	0.8	0.0	0.8
Cowgill Hall Cost Overrun	2.6	0.0	2.6
Litton Hall Cost Overrun	1.6	0.0	1.6
Southwest Virginia Higher Education Center			
New Addition Cost Overrun	0.3	0.0	0.3
Frontier Culture Museum			
Construct Maintenance Facility Cost Overrun	0.3	0.0	0.3
Gunston Hall			
Construct Addition to Ann Mason Building Cost Overrun	0.1	0.0	0.1

Jamestown/Yorktown			
Replace Sewer Pump Station Cost Overrun	0.2	0.0	0.2
Museum of Fine Arts			
Expand and Renovate Museum Cost Overrun	6.3	0.0	6.3
Total: Office of Education	**142.5**	**8.0**	**150.5**
Health and Human Resources			
Department for the Blind and Vision Impaired			
Dorm Renovation Cost Overrun	1.0	0.0	1.0
Total: Office of Health and Human Resources	**1.0**	**0.0**	**1.0**
Public Safety			
Corrections - Central Office			
James River Segregation Building Cost Overrun	0.4	0.0	0.4
Pocahontas Wastewater Treatment Plant Upgrade Cost Overrun	0.8	0.0	0.8
Steam and Water Line Repair and Replacement Cost Overrun	0.3	0.0	0.3
Upgrade Perimeter Detection System Supplement	0.0	1.0	1.0
Install Fire Safety Systems Supplement	0.0	0.6	0.6
Construct New Bridge and Entrance Road at Bland Cost Overrun	1.6	0.0	1.6
Haynesville Wastewater Treatment Plant Upgrade Cost Overrun	1.9	0.0	1.9
Remedy Environmental Deficiencies Supplement	0.0	1.2	1.2
Department of Juvenile Justice			
Renovate Beaumont Cottages Cost Overrun	0.8	0.0	0.8
Upgrade reception and Diagnostic Center Cost Overrun	1.5	0.0	1.5
Total: Office of Public Safety	**7.2**	**2.7**	**10.0**
Total: Project Supplements	**155.5**	**10.7**	**166.2**

- **Maintenance Reserve for State Agencies, Norfolk State and Virginia State**

  – *Maintenance Reserve.* Provides $150.0 million GF for capital maintenance projects at higher education institutions and state agencies. This includes a total of $16.0 million allocated to Norfolk State and Virginia State Universities.

2006-2008 GF Maintenance Reserve

Agency Name	FY 2007	FY 2008	Total
Education			
Norfolk State University	$ 4.3	$ 4.3	$ 8.6
Virginia State University	3.7	3.7	7.3
Central Capital Outlay			
Central Maintenance Reserve			
Department of General Services	2.8	2.8	5.5
Department of Veterans Services	0.1	0.1	0.1
Department of Agriculture and Consumer Services	0.4	0.4	0.7
Department of Forestry	0.2	0.2	0.4
Department of Mines, Minerals and Energy	0.1	0.1	0.1
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	0.3	0.3	0.6
Virginia School for the Deaf and the Blind at Staunton	0.3	0.3	0.6
Christopher Newport University	0.6	0.6	1.2
The College of William and Mary in Virginia	2.5	2.5	5.0
Richard Bland College	0.1	0.1	0.2
Virginia Institute of Marine Science	0.4	0.4	0.8
George Mason University	3.3	3.3	6.6
James Madison University	2.6	2.6	5.2
Longwood University	1.4	1.4	2.8
Old Dominion University	1.9	1.9	3.8
Radford University	1.0	1.0	2.0
University of Mary Washington	0.6	0.6	1.3
University of Virginia	7.4	7.4	14.8
University of Virginia's College at Wise	0.4	0.4	0.8
Virginia Commonwealth University	5.1	5.1	10.2
Virginia Community College System	7.3	7.3	14.5
Virginia Military Institute	1.2	1.2	2.4
Virginia Polytechnic Institute & State University	8.6	8.6	17.3
Frontier Culture Museum of Virginia	0.1	0.1	0.2
Gunston Hall	0.1	0.1	0.2
Jamestown-Yorktown Foundation	0.5	0.5	1.1
The Library of Virginia	0.0	0.0	0.0

The Science Museum of Virginia	0.8	0.8	1.6
Virginia Museum of Fine Arts	0.9	0.9	1.8
Southwest Virginia Higher Education Center	0.1	0.1	0.1
Department of Taxation	0.4	0.4	0.7
Department of Mental Health, Mental Retardation and Substance Abuse Services	6.3	6.3	12.6
Woodrow Wilson Rehabilitation Center	1.1	1.1	2.2
Department for the Blind And Vision Impaired	0.2	0.2	0.5
Department of Conservation And Recreation	0.6	0.6	1.3
Marine Resources Commission	0.1	0.1	0.1
Virginia Museum of Natural History	0.1	0.1	0.1
Department of Corrections	4.5	4.5	9.1
Department of Emergency Management	0.1	0.1	0.1
Department of Forensic Science	0.1	0.1	0.1
Department of Juvenile Justice	1.8	1.8	3.7
Department of Military Affairs	0.5	0.5	1.0
Department of State Police	0.2	0.2	0.5
Total: Central Maintenance Reserve	**$ 67.0**	**$ 67.0**	**$ 134.0**
Total: Maintenance Reserve	**$..75.0**	**$ 75.0**	**$ 150.0**

- **Equipment Supplements**

  - ***Equipment for Various Agencies.*** Includes $41.3 million GF to purchase furnishings and equipment for projects scheduled to come on-line in FY2007. The table below summarizes the allocation for each project.

Equipment Supplements
($ in millions)

Agency/Project	*Amount*
Department of General Services	
Washington Building	$ 4.8
George Mason University	
Thompson, West, Pohick Halls	0.5
Fairfax Research I	0.9
James Madison University	
Miller Hall	2.3
Longwood University	
Jarman Building	1.5
Bedford Wygal Connector	1.6
Old Dominion University	
Batten Arts and Letters Building	1.8
Tri-Cities Center	1.4
Radford University	
Fine Arts Center	0.7
Richard Bland College	
Art Building	0.3
Virginia Commonwealth University	
School of Engineering, Phase II	1.6
Hibbs Building	0.1
Sanger Hall	0.8
Franklin Terrace	0.1
Music Center	0.1
School of Nursing	0.3
Virginia Community College System	
Parham Road Campus Phase IV, J. Sargeant Reynolds	2.1
Learning Resource Center, Southwest Virginia	1.0
Regional Automotive Technology and Workforce Center, Chesapeake Campus, Tidewater	1.2
Instructional Labs, Chester Campus, John Tyler	0.6
Learning Resource Center, Patrick Henry	0.3
Phase III Building, Alexandria Campus, Northern Virginia	1.7
Webber Hall, Virginia Western	1.7
Science Building I, Virginia Beach Campus, Tidewater	5.9
Science and Technology Building, Piedmont Virginia	0.8

Workforce Center, Parham Campus, J. Sargeant Reynolds	0.2
Workforce Development Center, Eastern Shore	0.4
Workforce Center, Middletown Campus, Lord Fairfax	0.7
Science Building, Blue Ridge	0.2
Galax Hall, Wytheville	0.3
Virginia Tech	
Biology Building	2.3
Infectious Disease Facility	3.1
Total Equipment Supplements	**$ 41.3**

- **Virginia Community College System**

  – *New Projects.* Provides $122.8 million GF in new construction and renovation projects at the community college system.

Community College/Project	Amount
Blue Ridge	
Construct Information Technology Building	$ 6.9
Central Virginia	
Construct Library	4.1
J. Sargeant Reynolds	
Renovate Burnette Hall, Parham Campus	9.4
John Tyler	
Construct Phase II Building, Midlothian Campus	18.9
New River	
Renovate Instructional Labs	1.5
Northern Virginia	
Construct Phase VI Academic Building, Annandale Campus	27.4
Construct Phase III Building, Loudoun Campus	27.6
Paul D. Camp	
Renovate Hobbs Campus	0.5
Piedmont Virginia	
Handicapped Accessibility	0.2
Systemwide	
Renovate Mechanical Systems	5.8
Tidewater	
Construct Regional Health Professions Center, Phase I, Virginia Beach Campus	19.4
Virginia Highlands	
Renovate Instructional and Student Center Building	1.1
Total VCCS New Construction and Renovations Projects	**$ 122.8**

- **Department of Mental Health**

  - *Replace Eastern State Hospital.* Provides $59.7 million GF to construct a replacement facility for Eastern State Hospital. Separate language allows the Department to enter into a public-private partnership or expand an existing agreement in order to construct the new facility.

  - *Expand Sexually Violent Predator Facility.* Provides $29.0 million GF to construct 200 additional beds at the Sexually Violent Predator Facility.

- **Department of Forensic Science**

  - *Northern Virginia Forensic Lab.* Provides $63.5 million GF to construct a new facility to house the Northern Virginia forensic lab and medical examiner offices. Separate language allows the Department to enter into a public-private partnership to construct the new facility.

- **George Mason University**

  - *Academic VI and Research II.* Provides $25.0 million GF and $25.3 million of nongeneral funds and 9(d) bonds to construct a new 120,000 square foot academic and research facility on the Fairfax campus.

- **Virginia Military Institute**

  - *Old Barracks Renovation and Addition.* Provides $46.8 million GF to fully fund the renovation and addition to the Old Barracks.

- **University of Virginia at Wise**

  - *New Science Building.* Provides $10.9 million GF to construct a new academic science facility.

- **University of Virginia**

  - *New Heating Plant.* Provides $19.7 million GF and $9.2 million in 9(d) bonds to complete the upgrade of the heating plant to comply with federal clean air laws and standards. The general fund amount includes $7.2 million to supplement phase I of this project to address cost overruns.

- **Virginia Tech**

  - *Heating Plant Upgrade.* Includes $17.3 million GF and $11.5 million in 9(d) bonds to upgrade the campus heating plant to meet recent expansions and make the plant more energy efficient.

- **Department of Corrections**

- ***Prison Infrastructure.*** Provides $22.5 million GF for the following projects:

  - Upgrade electrical system at various correctional institutions ($623,000);
  - Upgrade locking systems and door replacements at various corectional institutions ($1.3 million);
  - Repair and replace roofs at various correctional institutions ($7.3 million);
  - Upgrade elevators at Marion Correctional Center ($593,000);
  - Construct a visiting facility at Bland ($1.1 million);
  - Renovate the dorm and kitchen at Chesterfield ($1.9 million);
  - Upgrade the Nottoway wasterwater plant ($700,000);
  - Replace mechanical rooms at Deep Meadow Correction Center ($1.3 million)
  - Replace HVAC systems at Powhatan Medical Building ($2.0 million); and
  - Infrastructure upgrades and maintenance facility at Deerfield Corrctional Center ($5.7 million).

- **Virginia Port Authority**

  - ***Improve Norfolk International Terminal.*** Authorizes the issuance of up to $90.0 million in Commonwealth Port Fund bonds. The funds would be used for the expansion of the facilities at the north terminal.