

GOVERNOR'S ADOPTED SAVINGS STRATEGIES

Higher Education

The savings strategies adopted by the Governor for higher education and state museums total \$89.3 million of which about one-third is one-time savings and the remainder is on-going. Public colleges and universities comprise the majority of the reductions at \$81.9 million. The proposed savings for institutions are listed below by strategy:

<u>Strategy</u>	<u>Amount</u>
Reduce Personnel Costs	(\$28,753,539)
Reduce E & G Operating Costs	(\$46,427,906)
Reduce Research	(\$993,500)
Shift Costs to NGF	(\$3,482,823)
<u>Other</u>	<u>(\$2,221,527)</u>
Total	(\$81,879,295)

It is important to note that colleges and universities have two additional resources available to offset these savings in FY 2008. First, institutions will receive \$12.7 million in interest earnings and credit card rebates as financial incentives associated with restructuring. Second, institutions will be allocated about \$7.2 million from the Tuition Moderation Incentive Fund.

When taking into account these offsets, savings at public colleges and universities will total about \$62.0 million or about two percent of their total operating funds (general fund and tuition revenues).

Public Education

The direct aid payments to school divisions are exempted in the Governor's adopted budget savings plan.

However, the Governor did approve use of an additional \$8.8 million from the Literary Fund to pay for a portion of the teacher retirement contribution thus freeing up a like amount from the general fund. The \$8.8 million is the combination of a one-time savings of \$7.9 million to the VPSA due to the final maturity of the last remaining 1991 Resolution bond and the release of the reserve, and about \$900,000 in balances accumulated over the last several years in the VPSA general fund.

Saving strategies within the Department of Education's Central Office include reducing the teacher turnaround specialist contract with UVA by \$280,100, eliminating one vacant administrative position budgeted at \$89,600, and reducing office expenses by \$41,800.

Health and Human Resources

The savings strategies approved by the Governor for the Health and Human Resources secretariat total \$96.3 million. Of this total, \$60.1 million in savings is derived from the payment of lower rates to Medicaid Managed Care Organizations. The lower rates are based on the annual actuarial analysis for the program and are not driven by the budget shortfall. These savings will also accrue in the 2008-2010 biennium.

Of the remaining \$36.2 million in savings reductions, \$15.4 million will come from supplanting the Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) and the Department of Social Services' (DSS) general fund dollars with federal funds as follows:

<u>Strategy</u>	<u>Amount</u>
Replace DSS GF with TANF	(\$7,624,807)
Maximize Medicare Part D In-patient Pharmacy Services	(\$4,804,733)
Maximize Medicare Part B Billing in Mental Retardation Training Centers	(\$3,000,000)
Total	(\$15,429,540)

In addition, the savings strategies include \$5.0 million in savings at the DMHMRSAS in the community aftercare program based on decreased utilization of the program as a result of the implementation of the Medicare Part D prescription drug program.

The final \$15.8 million in savings is realized through a variety of proposals, including approximately \$1.8 million in personnel cost reductions. The plan includes the elimination of 23 positions at DMHMRSAS: seven of which are a direct result of consolidating the management of Hiram Davis Medical Center and the Southside Virginia Training Center with the remaining 16 resulting from other efficiencies in the mental health facilities.

Public Safety

The total general fund savings adopted by the Governor for the Public Safety secretariat equal about \$54.3 million of which about \$12.0 million represents savings from local aid payments that are discussed in a separate section. The remaining \$47.4 million in savings includes the transfer of \$6.9 million to the general fund, primarily from the one-time capture of nongeneral fund balances from the Virginia State Police (\$3.3 million) and the realization of additional revenue from the Department of Alcoholic Beverage Control (\$3.5 million), and agency savings of \$35.4 million.

Of the general fund savings adopted by the Governor for the public safety agencies, about \$18.9 million, or 53 percent, affect the Department of Corrections. These strategies include the use of excess capacity to house 500 out-of-state or federal inmates (\$4.0 million), delaying the opening of 800 new prison beds at St. Brides Correctional Center in Chesapeake (\$8.6 million), and the elimination of funding for the planning and site work necessary for the

construction of a new 1,000 bed prison in Charlotte County (\$1.2 million). Other strategies adopted by the Governor include a \$3.6 million reduction in equipment purchases for the agency's facilities and the capture of \$1.5 million in unobligated balances for the community corrections programs.

Another \$7.0 million, or 20 percent, of the savings adopted by the Governor affect the Department of Juvenile Justice. These reductions include strategies to: supplant the general fund costs of juvenile inmate care with child support payments made to the state for those juveniles (\$2.0 million); reducing local detention home, juvenile crime control, and court service unit payments by 2.5 percent (\$1.2 million); capturing funding associated with vacant positions (\$1.0 million); reducing expenditures for re-entry programs (\$884,600); reducing maintenance of the Barrett and Camp New Hope juvenile facilities (\$745,300); and capturing insurance recovery payments associated with previously made emergency repairs and surplus property and vehicle parking revenue (\$702,100).

In addition, \$5.0 million, or 14 percent, of the savings adopted by the Governor affect the Virginia State Police. These strategies include delaying the start of the next basic trooper school from February to next fiscal year (\$1.6 million), capturing the general fund balances supporting computer system improvements (\$1.5 million), increasing the replacement mileage for patrol vehicles (\$1.4 million), and limiting agency helicopter use solely to law enforcement or med-flight use (\$300,000).

Natural Resources

The total general fund savings adopted by the Governor for the Natural Resources secretariat equal about \$5.3 million of which \$519,100 represents savings in local aid payments that are discussed in a separate section. The remaining savings strategies adopted for the Natural Resource agencies total about \$4.8 million, however, savings were only developed for four of the secretariat's seven agencies. No savings were generated by the Department of Game and Inland Fisheries, Virginia Museum of Natural History, and Chippokes Plantation Farm Foundation.

Of the general fund savings adopted by the Governor for the Natural Resources agencies, about \$2.1 million, or 44 percent, affect the Department of Environmental Quality. These savings strategies include scaling back water quality monitoring statewide and in the Chesapeake Bay by \$770,469 and the agency's water quality permitting and inspection activities by \$549,918. Other strategies eliminate vacant positions (\$282,000), reduce wage employment (\$100,000), and reduce vehicle replacement and operating unit budgets (\$400,000).

Another \$1.4 million, or 29 percent, of the savings adopted by the Governor affect the Department of Conservation and Recreation. These strategies include supplanting park dam repairs with balances from a watershed loan fund (\$650,000), the use of concessions revenue to support state parks concessions personnel (\$180,000), staffing reductions (\$270,000), and program efficiencies (\$155,000). In addition to the reductions proposed by the Governor, the

Department of Conservation and Recreation is also expected to generate additional revenue of \$500,000 per year from a 5 percent increase in state park user fees. This additional revenue will be used to supplant existing general fund dollars supporting state parks operations.

The Governor has also approved supplanting \$753,722 from the general fund for the Virginia Marine Resources Commission with revenues from commercial and recreational fishing licenses.

Agriculture and Forestry

Savings strategies adopted by the Governor for the Secretariat of Agriculture and Forestry total \$2.2 million and include the elimination of two positions.

The majority of the savings strategies for the Department of Agriculture and Consumer Services will be achieved through: one-time reductions in discretionary expenses (\$932,136), supplanting general funds with nongeneral funds for personnel costs in various programs (\$333,394), and a savings of \$115,549 from the elimination of two positions.

At the Department of Forestry, savings strategies include: \$225,000 by increasing the rotation time period for the purchase of tractors with the remaining \$853,184 in savings coming from reductions in travel, training, discretionary expenditures and other improved business practices.

Commerce and Trade

Budget savings strategies adopted by the Governor for the Commerce and Trade secretariat total \$4.0 million and include the elimination of existing positions.

Savings for the Department of Housing and Community Development total \$1.2 million. The largest is \$580,000 reverted from the appropriation for a regional development center that did not open. Other savings include about \$350,000 from water projects and a five percent reduction in funding for planning district commissions.

At the Economic Development Partnership, \$920,000 in savings was generated by consolidating international trade functions (\$252,000), reducing funding for foreign trade missions (\$270,896), capturing unused funds from the Shell Building Program, and through business efficiency savings.

At the Virginia Tourism Authority, savings total \$867,513, the largest of which is \$584,780 in funding made available to market Jamestown 2007. The agency also will eliminate 3 positions. Also impacted is funding for the Danville and Potomac Gateway Welcome Centers and five percent reductions to pass-through entities such as Tredegar and the Association of Broadcasters.

Savings within the Department of Business Assistance total \$565,260, the largest portion of which is \$300,000 in funding for the Workforce Services program. The remaining savings derive from office efficiency savings and the elimination of four positions.

Transportation

The Governor's adopted savings strategies for the Transportation secretariat do not include any transfers of transportation funds; however, the general fund dollars appropriated in the 2007 Session will remain in the general fund and be transferred to VDOT as project cash-flow needs require. This strategy will result in the accrual of \$18.1 million in interest to the general fund. The Six Year Improvement Program did not assume use of this interest by VDOT.

Similarly, the Governor's adopted savings strategies assume \$2.1 million in revenues by retaining the interest generated on the \$40.0 million dedicated to the Route 58 Corridor Development Fund and the recordation tax revenues dedicated by the Northern Virginia localities to the Northern Virginia Transportation District Program.

Executive Offices

The savings strategies adopted by the Governor for the Executive Offices total \$676,334. Almost half of these savings, or \$294,069, will come from turnover and vacancy savings and other operational efficiencies. In addition, the savings strategies include \$6,297 in savings from the Governor voluntarily returning five percent of his salary and \$121,447 in savings from employees within the Governor's Office and Cabinet making more than \$100,000 a year deferring the four percent salary increase slated to take effect on November 25, 2007.

In addition, the plan eliminates two vacant assistant secretary positions, one within the Office of the Secretary of Commerce and Trade and one within the Office of the Secretary of Technology.

Administration

The savings strategies adopted by the Governor for the Administration secretariat total \$5.6 million. Over half of these savings, or \$3.2 million, are derived from the Compensation Board. These strategies require circuit court clerks, treasurers, finance directors, and commissioners of the revenue to keep vacant positions open for at least 90 days prior to filling them (\$1.3 million); capturing turnover and vacancy savings from these offices (\$0.8 million); and reverting fiscal year 2007 year-end balances (\$1.0 million).

Other savings strategies include \$360,407 from reducing salary reimbursements for general registrars and local elections board members by five percent and \$227,000 by supplanting the

general fund dollars used for two procurement training positions within the Department of General Services with eVA enterprise funds.

Finance

The proposed savings adopted by the Governor for the Finance secretarial total \$5.5 million. Of the total savings, \$4.3 million is derived from the Department of Taxation. The largest savings strategies follow:

<u>Strategy</u>	<u>Amount</u>
Reduced Wage, Overtime, and Travel Costs	(\$1,535,480)
Delay Relocation of Processing Operations	(\$1,000,000)
Delay Purchase of Customer Service Software	(\$565,125)
Reduce Training and Travel	(\$478,948)
Total	(\$3,579,553)

Technology

The savings strategies adopted by the Governor for the Technology secretariat total \$439,065. These savings are achieved through reduced personal costs at both the Virginia Information Technologies Agency and the Innovative Technology Authority. In addition, the strategies include a \$172,000 decrease in the grants that the Innovative Technology Authority provides to organizations for promoting technology development.

Central Appropriations

The savings strategies adopted by the Governor for Central Appropriations total \$5.0 million. These savings are realized from the following areas:

<u>Strategy</u>	<u>Amount</u>
Reductions in Maintenance Reserve Allocations	(\$3,335,500)
Reductions in Productivity Investment Fund	(\$50,000)
Adjustments in Funding for Start-up Funding for Two-year College Transfer Grant	(\$1,600,000)
Total	(\$4,985,500)

Non-State Agencies

Fiscal year 2008 funding for the Nonstate Agency budget of \$26.7 million was reduced by an across-the-board 5 percent, resulting in a \$1.3 million savings.

Additional savings of \$3.2 million was achieved through other nonstate organizations that are imbedded within various agency appropriations.

Local Aid

The savings strategies adopted by the Governor include a reduction in aid to localities of \$19.3 million, or 6.4 percent of the total savings strategies. The reductions in aid to localities are contained within the various secretarial areas, and, as such, are included in the specific secretarial area totals.

The largest savings strategy impacting local aid is a five percent reduction (\$10.8 million) in HB 599 funding. This strategy would basically level-fund FY 2008 disbursements at \$205 million, or less than one percent less than the FY 2007 funding level of \$206.3 million.

Other adopted reductions to local aid include actions at the Compensation Board to revert year end balances, capture turnover and vacancy savings for treasurers, commissioners of the revenue, and circuit court clerks by delaying the filling of vacancies (\$3.1 million), the capture of estimated year end surpluses within the Department of Social Services' general relief program (\$1.2 million), and \$1.2 million in reductions to Department of Juvenile Justice programs.