GOVERNOR'S PROPOSED SAVINGS STRATEGIES

Overview of Governor's Budget Reduction Strategies

The strategies announced by the Governor on September 8 are designed to specifically address a revenue shortfall of approximately $1.5 billion. The shortfall is comprised of (1) the actual FY 2009 general fund shortfall of $300.0 million; and (2) a downward revision to the FY 2010 general fund forecast of $1,209.1 million. The impact of the revenue shortfall on the budget, when offset by the $150.0 million set aside as an unappropriated balance by the General Assembly during the 2009 Session, results in a budgetary shortfall for the remainder of FY 2010 of $1,350.2 million.

For the most part, existing authority granted to the Governor in the Appropriations Act will allow these strategies to be implemented immediately. However, in some cases specific legislative approval will be required in order to achieve the specified savings. For example, only the General Assembly can authorize a withdrawal from the Revenue Stabilization Fund (Rainy Day). Likewise, language in the Appropriations Act (§4-1.02 d.6.d.) prohibits the Governor from withholding payments to the Virginia Retirement System. Both of these strategies are incorporated into the Governor's plan. In all cases, however, the Governor's proposals will be reflected in his budget amendments to the "caboose" bill presented to the General Assembly in December for action in the 2010 Session.

In summary, the proposed reduction strategies total $1,353.2 billion. Approximately 66 percent of the total budget savings strategies ($898.3 million) are achieved through the use of one-time or non-recurring actions. While the use of these one-time actions achieves the goal of balancing the FY 2010 budget, it also results in a structurally imbalanced budget that will need to be corrected with permanent budget reductions in fiscal year 2011. One-time actions proposed include: the withdrawal of $283.0 million from the Revenue Stabilization Fund; $134.9 million by deferring the 4th quarter payments to the Virginia Retirement System; savings of $97.0 million from enhanced federal Medicaid payments; $68.9 million in federal stimulus funds to backfill reductions in K-12; and, savings of $168.3 million from capturing a variety of unexpended general fund and nongeneral fund balances.

The proposed withdrawal from the Revenue Stabilization Fund is less than the maximum permitted. Based on an anticipated fund balance of $583.0 million on May 31, 2010, the Constitution would allow a total withdrawal of the lesser of one-half of the fund's balance or one-half of the projected shortfall. That would allow for a maximum withdrawal of approximately $291.5 million.

With regard to agency-specific reductions, the Governor is recommending a combination of targeted and across-the-board reductions to state agencies, colleges and universities, and public education, totaling $854.3 million. Reductions in public education ($68.9 million) and colleges and universities ($196.8 million) will be either fully or partial offset through the allocation of $160.5 million in federal stimulus funding previously set aside by the General Assembly for distribution in FY 2011. Other reductions in public education totaling $64.9 million are offset through either the use of the Literary Fund or Lottery Proceeds.

Agency specific reductions impacting aid to localities, exclusive of public education, total $35.4 million, and include $30.4 million in reductions to Constitutional Offices (4.74 percent to Sheriffs; 5 percent to Commonwealth Attorneys; and, 15 percent to Clerks, Commissioners and

Treasurers) and $12.2 million in reductions to Community Services Boards (5 percent reduction in funding).

Targeted reductions include the closure of three adult and juvenile correctional facilities and staffing reductions across state agencies. In total, the Governor proposes the elimination of 929 state agency positions, including 593 filled positions, which will require layoffs. (This excludes potential position eliminations at institutions of higher education and reductions at VDOT, already announced.) Of course, employees that are laid off will be given a severance package as provided for through the Workforce Transition Act, which was adopted by the General Assembly in 1995 to manage workforce reductions. The cost of the severance package is subtracted in the Governor's plan calculations resulting in assumed net savings of $142.8 million. As such, the savings will continue and in fact be larger in FY 2011.

Other major actions proposed by the Governor include suspending the employer contribution rate paid to the Virginia Retirement System (VRS) in the last quarter of FY 2010 (April – June). Deferring this payment involves both the state and local school divisions and would apply to retirement, group life and the retiree health insurance credit funds and would require specific approval by the General Assembly. Anticipated savings to the general fund, including transfers from nongeneral fund agencies, total $134.9 million. Within this total, are savings of $59.4 million, representing the state's share of the contribution rate for state funded school teachers and support staff. Because this strategy applies to school divisions, a commensurate savings will be realized at the local level.

Also included in the Governor's strategies is supplanting approximately $260.9 million in general fund spending with nongeneral revenues and $51.3 million in technical adjustments reflecting (1) the portion of sales tax distributed based on school age population, and (2) a reduction in the formula based "599" funds. These technical adjustments are triggered by changes to the general fund forecast.

Finally, the Governor is proposing a one-day furlough for all executive branch employees the Friday prior to Memorial Day weekend in 2010. Agencies will develop alternative days off for essential employees, ensuring coverage for agency critical missions. This action results in a savings of $16.3 million, which includes $6.9 million transferred to the general fund from higher education institutions and certain nongeneral funded agencies. The impact on employees equates to an equivalent reduction in pay of approximately 0.4 percent. Employee benefits will not be adversely impacted under this proposal.

The following is a summary of the agency savings by Secretarial area, with focus on the actual reductions to agency budgets.

Employee Compensation and Benefits

The budget strategies recommended by the Governor include $134.9 million in savings from reduced contribution payments for benefit programs administered through the Virginia Retirement System and $16.3 million in savings from implementing a one-day furlough for executive branch employees.

The plan includes $104.1 million in savings from suspending the payment of the employer share of the retirement programs for the last quarter of the fiscal year for both state employees and teachers. Savings of $52.8 million will be generated from state agencies, including $36.1 million in general fund savings and the transfer of $16.6 million in savings from nongeneral funded agencies. Savings from the state's share of the contribution payment for school teachers total $51.3 million general fund, with local governments realizing a similar level of savings.

In addition, the Governor's plan results in $30.8 million in savings from suspending the contributions for "Other Post Employment Benefits" in the last quarter of the fiscal year. This includes $8.1 million general fund in savings suspending contribution payments for the group life and retiree health credit programs for public school teachers. As with the retirement program, local governments will realize a similar level of savings. Savings of $22.7 million will be generated from suspending contributions for the group life, retiree health credit and the Virginia Sickness and Disability Program for state employees, including $13.2 million in general fund savings and the transfer of $9.6 million in nongeneral fund funds which would have been used to pay the 4th quarter contribution rates.

The proposed furlough would occur on the Friday before Memorial Day, May 28, 2010. The $16.3 million estimate is based on savings from executive branch agencies including institutions of higher education. The estimate assumes $9.3 million in general fund savings and a transfer of $6.9 million of nongeneral funds, which would have been used to support the salary costs. The estimate does not include any transfer of nongeneral funds from the Transportation Trust Fund, which would retain any savings from a furlough.

Recommended Reductions to VRS Administered Programs
(in millions)

	GF	Revenue Transfers	Total
State Employee - Employer Share Retirement Program *	($36.1)	$16.6	($52.8)
Teacher - Employer Share Retirement Program **	($51.3)	$0.0	($51.3)
State Employee - Health Credit, Group Life & VSDP	($13.2)	$9.6	($22.7)
Teacher - Health Credit & Group Life	($8.1)	$0.0	($8.1)
Total	($108.7)	$26.2	($134.9)

* The savings for the state agencies starts with the March 25th pay period, resulting in the deferral for 5 pay periods.

** The savings for the public school teachers is effective April 1, resulting in 3 months of savings.

Strategies Requiring General Assembly Approval

Language in the Appropriations Act (§4-1.02 d.6.d.) prohibits the Governor from withholding payments to the Virginia Retirement System and therefore these actions must be adopted by the General Assembly.

In addition to the contribution rate proposals, two strategies for the Line of Duty program will have a future impact on the Virginia Retirement System. The plan assumes savings of $500,000 from supplanting the general fund appropriation under the Line of Duty program with funding from the VRS administered Group Life Insurance program for the cost of providing the death benefit under the Line of Duty Act. The second strategy supplants $1.2 million general funds from the Line of Duty program with funding from the VRS administered state employee retiree health credit fund. Under the proposal, the VRS will reimburse the Line of Duty program the value of the state employee health care credit for state employees who are disabled and eligible for health insurance under the Line of Duty Act. The cost of implementing these two strategies will be included when calculating future VRS contribution rates for these two programs. Both of these strategies would also require General Assembly approval.

<u>Public Education</u>

Direct Aid

Strategies in the Governor's September 2010 Reduction Plan for the Direct Aid to Public Education budget equals $171.7 million in general funding savings. About 78 percent of these savings (totaling $133.8 million) are offset by increased transfers from three nongeneral fund sources: federal stimulus funding, Literary Funds, and Lottery Funds.

The remaining $37.6 million in general fund savings is generated from the reforecast of sales tax estimates. As a result, the $1,135.2 million in sales tax revenue budgeted for public education is now projected to decrease by $85.3 million in FY 2010. However, the SOQ funding formula will provide a corresponding offset by backfilling about 55 percent of the reduced sales tax revenues or roughly $47.7 million. These two combined actions create a net general fund savings of $37.6 million.

Other actions decrease the Direct Aid budget by $300,000 by reducing funding for a variety of supplemental education program initiatives that are not specifically allocated to any one school division such as the Career Technical Education Resource Center, Greater Richmond Area Scholarship, Jobs for Virginia Graduates, and Project Discovery.

Strategies Requiring General Assembly Approval

Three nongeneral fund transfers proposed in the Governor's reduction plan would require General Assembly approval. The largest nongeneral fund transfer proposed would advance approximately $68.9 million of the FY 2011 federal stimulus funding into FY 2010. The additional stimulus money will help ensure that no mid-year funding decreases are applied to the Direct Aid payments going to school divisions. The plan does not indentify which SOQ, Incentive or Categorical programs will be supported by the supplanting of federal stimulus money. However, this hold harmless provision for K-12 is contingent on Virginia receiving an approval from the federal

Department of Education to draw down the requested portion of additional stimulus funding in FY 2010. Without this approval, the education budget may have to absorb some level of reductions.

The General Assembly would also need to approve a savings strategy which would transfer $55.0 million from the Literary Fund to supplant general fund VRS payments in the Direct Aid budget. Of this amount, $30 million is derived from FY 2009 excess balances and $15 million is derived from escheated special unclaimed property, and $10 million is due to an increase in the revised Literary Fund forecast. In total, $178 million of Literary Funds would be allocated for VRS payments in FY 2010, as permitted by the Constitution.

Finally, General Assembly approval would be needed to generate savings by reassigning $9.9 million of Direct Aid budgeted expenditures for a number of unidentified programs into the Lottery Proceeds Fund budget. The additional Lottery Proceeds are derived from FY 2009 carryforward balances above the $430.5 million revenue budgeted.

Department of Education (DOE) - Central Office Operations

The budget strategies recommended by the Governor include $3.1 million general fund savings in DOE's central office budget. About one-third of the savings are realized through the use of $1.2 million in one-time general fund pledged balances from FY 2009. About 29 percent of the proposed general fund savings comes from supplanting $890,200 for the Partnership for Achieving Successful Schools (PASS), Academic Reviews, and four wage positions with either ongoing federal revenues or federal stimulus funds. This action will allow DOE to maintain the current level of services for these initiatives.

Other saving strategies within the Department of Education's Central Office include $903,800 from personnel and operational cost reductions. The personnel actions save $635,600 by eliminating one wage position, laying off one classified position, and holding five classified positions vacant through the end of the fiscal year. Two operational cost reductions save about $268,200 by decreasing current service support for Project Graduation on-line tutorials in reading and Algebra I, and reducing postage, printing and office supplies cost through improved business practices and improved efficiencies

Virginia School for the Deaf, Blind & Multi-Disabled (VSDB) - Staunton

The savings strategies proposed by the Governor for VSDB come from a combination of two actions, each totaling $0.5 million: reductions in personnel costs and savings from the use of one-time FY 2009 pledged balances.

Health and Human Resources

The savings strategies proposed by the Governor for the Health and Human Resources secretariat total $204.3 million. About 55 percent of the proposed actions will achieve savings on a one-time basis; the largest ($97.0 million) is derived from supplanting general fund dollars with additional enhanced federal Medicaid matching funds due to a formula adjustment for the increase in Virginia's unemployment rate contained in the federal American Recovery and Reinvestment Act (ARRA) of 2009.

Fund Swaps

Proposed reduction strategies include a savings of $106.1 million by supplanting general fund amounts with nongeneral fund resources. The most significant fund swaps are listed in the table below.

Strategy	Amount
Health Dept. – Supplant GF with NGF cash balances	($750,000)
Health Dept. – Supplant GF with federal ARRA of 2009 funds to purchase vaccines	($700,000)
DMAS – Supplant GF with additional federal Medicaid matching funds available through the federal ARRA of 2009 due to an increase in Virginia's unemployment rate	($97,000,000)
DMAS – Supplant GF with federal Medicaid matching funds for legal alien children who have been in the United States for less than five years and who had been previously covered by state dollars only	($789,706)
DBHDS – Supplant GF with federal mental health block grant dollars to support mental health services provided through Community Services Board	($4,500,000)
DSS – Supplant GF with additional federal dollars for implementing a uniform assessment tool and rate structure for therapeutic treatment of children in foster care and adoptive families	($375,000)
Total	**($104,114,706)**

Strategies Requiring General Assembly Approval

The Governor's reduction plan also recommends transferring $9.1 million in nongeneral fund balances to the general fund. The most significant of these strategies involves transferring $1.0 million from the "$4 for Life" fund to the State Police for med-flight operations. In addition, the plan recommends transferring revenue generated from the additional $0.25 motor vehicle registration fee, which would otherwise be deposited into the Rescue Squad Assistance Fund to the State Police in FY 2011 and FY 2012 to support med-flight operations. Another strategy would transfer $970,000 of balances in the Trauma Center fund to the general fund. The implementation of this strategy and other nongeneral fund transfers will require the General Assembly's approval.

Local Aid Reductions

In addition, the budget reduction strategies include $13.6 million by reducing aid to localities. The vast majority - $12.2 million – is from a five percent funding reduction for Community Services Boards. Funding for home- and community based services provided by the local Area Agencies on Aging will be reduced by 3.2 percent. Funding reductions for local social services total $1.1 million and funding reductions for local health departments total $500,000.

Agency Specific Reductions

Reduction strategies total $36.6 million for the Office of Comprehensive Services. The Comprehensive Services Act program is expected to continue to experience lower utilization of services through parental agreements saving $5.0 million, and lower utilization of high cost residential services, saving $31.6 million.

In the Department of Medical Assistance Services (DMAS), targeted reductions include $7.0 million for indigent care at the two state teaching hospitals, and $1.2 million by eliminating 100 mental retardation waiver slots that were to be implemented beginning January 1, 2010. Another reduction would save $288,281 by reducing residential psychiatric facility rates by one percent. The department will achieve a savings of $146,692 by requiring prior authorization of or limits on certain dental services for children, including gingivectomy and periodontal scaling services and panoramic X-rays.

Net saving strategies proposed for the Virginia Department of Health (VDH) total $18.6 million and include 16 layoffs. About $12.2 million (66 percent of the savings) is due to actions to supplant general fund amounts with nongeneral fund resources or through the reversion of nongeneral fund balances. Most of these savings accrue from one-time actions. The proposed actions include a five percent across-the-board cut to most community health organizations, including a reduction of $159,820 to the free clinics and $120,438 to the community health clinics, and $204,029 to the Virginia Health Care Foundation. General fund balances for the Water Supply Assistance Grant program are reverted resulting in a savings of $250,000. Ongoing reductions include $500,000 in savings in expenses at local health departments, $232,454 in savings from a 15 percent reduction for the Poison Control Centers, and $52,500 from the Nursing Scholarship and Loan Repayment program.

In the Department of Behavior Health and Developmental Services, savings total $39.7 million and include 134 layoffs. The largest reduction, as mentioned above, comes from a five percent reduction in aid to local Community Services Boards for administrative services generating $12.2 million in savings. Reduced personnel costs due to layoffs and turnover and vacancies account for $7.5 million in savings. The department will reduce 20 positions in the central office, 92 support and administrative positions in the training centers and mental health treatment centers, and 13 direct care positions in the training centers. Another $6.0 million is saved by reducing discretionary expenses such as, travel, training, tuition reimbursement and equipment purchases. One-time savings include $4.5 million by supplanting general fund amounts with federal mental health block grant funds for mental health services provided through Community Services Boards and $2.8 million due to the prepayment of rent and insurance payments in FY 2009 for FY 2010 expenses.

At the Department of Social Services, savings strategies total $4.9 million and the elimination of 25 positions, including 15 layoffs. Almost half of the savings ($2.0 million) are achieved through the reversion of general balances on a one-time basis. Almost $1.1 million will be saved through reductions to local departments of social services for chore and companion services for low-income elderly and other purchased services. Another $400,000 in savings will be realized by capturing savings in the Auxiliary Grant program due to lower projections of program expenditures. As indicated in the above table, $375,000 in savings will come from supplanting general fund amounts with additional federal matching dollars for the implementation of a uniform assessment tool and rate structure for therapeutic treatment of children in foster care and adoptive families.

Savings in the Department of Rehabilitative Services total $3.7 million, including the elimination of 36 positions and 18 layoffs. Most of the savings ($2.8 million) is achieved from a reduction of 23 positions and 5 layoffs in the central and regional offices and 13 positions and 13 layoffs at the Woodrow Wilson Rehabilitation Center. In addition, $450,000 is saved by reducing agency pledged balances from FY 2009.

Savings total $1.1 million in the Department for the Aging, the largest of which is a $500,000 reduction in funding for services provided by the local Area Agencies on Aging. In addition, grants to other community aging organizations are reduced by 10 percent, totaling $362,789 in savings. Smaller reductions are achieved in the Department for the Blind and Vision Impaired ($244,165), and the Department of the Deaf and Hard of Hearing ($93,164).

Higher Education

The savings strategies proposed by the Governor for higher education and state museums total $205.7 million and are made up almost entirely of ongoing savings. Public colleges and universities comprise the majority of the reductions at $189.3 million. Affiliated education entities (SCHEV, VIMS, extension, higher education centers, EVMS and Jefferson Labs) account for $10.2 million in reductions. State museums and the Library of Virginia have $6.2 million in reductions. No position or layoff data have been reported by colleges and universities as part of the Governor's reduction plan. However, other higher education entities are eliminating 33.0 FTE positions resulting in 24 layoffs. The table below summarizes the reductions by category.

	Reduce Personnel	Reduce Discretionary	Targeted Reductions	Supplant GF	Reduce Local Aid	New Fees	Use Balances	Total
Colleges and Universities	0	(189,334,562)	0	0	0	0	0	(189,334,562
Affiliated Institutions	(521,305)	(8,361,475)	(781,370)	(305,815)	0	0	(195,950)	(10,165,915)
State Museums & Library	(1,242,193)	(1,750,107)	(180,000)	(1,642,897)	(868,931)	(501,402)	(54,338)	(6,239,868)
Total	**(1,763,498)**	**(199,446,144)**	**(961,370)**	**(1,948,712)**	**(868,931)**	**(501,402)**	**(250,288)**	**(205,740,34)**

Reductions to colleges and universities were 15 percent for the four-year institutions and 13 percent for the two-year colleges. The Governor proposes to utilize $101.3 in additional federal stimulus funds previously set aside for FY 2011 to mitigate the impact of his proposed reductions in FY 2010. Thus under the Governor's proposal, all colleges and universities would receive federal stimulus funds equal to approximately 47 percent of their general fund reduction resulting in a net reduction of 8 percent for four-year institutions and 6.9 percent for two-year colleges in FY 2010. VIMS and extension agencies were assessed the same reduction as the college or university with whom they are affiliated. Similar to colleges and universities, the Governor proposes to utilize $3.5 million in additional federal stimulus funds previously set aside for FY 2011 to mitigate the impact of the reductions to those entities, resulting in net reductions of 8 percent. No detail was provided in terms of how the institutions would implement their reductions. Plans would have to be adopted by the respective Boards of Visitors at their discretion.

All other Affiliated Higher Education institutions were assessed reductions that range from about five percent to about 13 percent. All higher education centers were reduced by 10 percent. State museums and libraries were reduced an average of 10 percent.

Public Safety

The budget reduction strategies proposed by the Governor for the public safety agencies total $68.3 million. This amount equals about 3.9 percent of the public safety agencies' total appropriations for FY 2010. About 36 percent of these budget reductions, or $24.4 million, are considered to be on-going savings proposals. These include facility closures and reductions in personnel and discretionary expenditures. The remaining strategies, $43.9 million, are considered one-time reductions. These one-time savings proposals include balance transfers, technical formula-driven reductions, and certain temporary discretionary spending reductions. In total, the budget reduction strategies proposed for public safety agencies include the elimination of 598 positions, including 342 layoffs.

Facility Closings

The most significant of the Governor's proposed reduction strategies involve closing the Botetourt and Brunswick Correctional Centers and the Natural Bridge Juvenile Correctional Center. Closing these facilities will result in the elimination of 520.5 positions and 293 layoffs, or 56 percent of the total positions eliminated and 49 percent of the total layoffs included in the Governor's reduction plan. After accounting for the costs of the Workforce Transition Act, closing these facilities will reduce expenditures within the Department of Corrections by $10.4 million and the Department of Juvenile Justice by $1.2 million in FY 2010. Savings will be greater in subsequent fiscal years. Implementation of these strategies will also reduce the capacity of the prison system by 1,119 beds and the juvenile correctional system by 71 beds.

The Department of Corrections reports that the Botetourt and Brunswick Correctional Centers primarily house level 1 and level 2 inmates, the two lowest security levels. Given that other facilities are capable of housing these inmates, the Department of Corrections states it will be able to relocate the majority of the inmates currently housed in these facilities. However, closing these two facilities may have some additional impact on the number of state-responsible offenders housed in local and regional jails. Including the 1,414 prison beds eliminated by facility closings in FY 2009, the total number of prison beds that have been taken off-line during the past two years totals 2,533. Currently, the number of out-of-compliance state-responsible inmates housed in local and regional jails totals 2,858.

Botetourt and the Natural Bridge facilities were chosen for closure either due to their high operating costs or because the population could be absorbed within the system. For instance, the Botetourt Correctional Center is proposed for closure due to its age, maintenance and infrastructure requirements, and higher operating costs when compared to other similar facilities. The Department of Corrections reports the operating costs for housing inmates at Botetourt Correctional Center equal about $23,000 to $24,000 per year. Other correctional centers housing similar inmate populations have operating costs between $16,000 and $17,000. In addition, it should be noted that the savings from closing this facility will be retained by the Department of Corrections to offset a portion of $6.3 million in outstanding budget reductions from previous years that the agency has no ability to absorb. The Natural Bridge Juvenile Correctional Center is proposed for closure because it was primarily a transition facility with a population that could be reabsorbed into the existing juvenile correctional system.

The Brunswick Correctional Center, however, is proposed for closure for different reasons. The Governor's reduction plan proposes that this facility be sold to the communities participating in the Meherrin River Regional Jail Authority as a regional jail. The Meherrin River Regional Jail Authority was created to serve the correctional needs of Brunswick, Dinwiddie, and Mecklenburg counties. Currently, the Appropriation Act includes authority for the issuance of $50 million in Virginia Public Building Authority bonds in FY 2012 as the Commonwealth's share of the costs of constructing a regional jail serving these localities. The Governor's reduction plan proposes closing the Brunswick Correctional Center and selling the facility to the Meherrin River Regional Jail Authority for $20 million. In addition, the Governor has proposed eliminating the Appropriation Act language providing the bonds for the construction of a new regional jail facility. The Governor also proposes the sale of the Botetourt Correctional Center for $5 million.

Other Proposed Budget Reduction Strategies

The Governor's reduction plan also includes $19.2 million in reduced discretionary expenditures. The most significant discretionary expenditure reductions include about $13.3 million derived from either deferring or eliminating equipment purchases, $1.7 million in savings from eliminating the Virginia State Police's use of an older aircraft and helicopter, and $1.3 million in savings from delaying the start of the next basic Trooper training school. The Governor's proposed savings strategies include the use of $11.3 million in nongeneral fund resources to supplant existing general fund support. Among these strategies, nongeneral balances are used to offset $8.4 million in State Police law enforcement and STARS costs, and the use of Virginia Correctional Enterprises funds to offset about $1.3 million in prison operations costs.

Reductions in Local Aid

The largest reduction in local aid is a technical adjustment to HB 599 funding totaling $13.7 million. Because funding for this program is tied to general fund revenue growth, when the general fund revenue forecast is reduced, so is HB 599 funding. Other reductions in local aid provided by the Department of Criminal Justice Services (DCJS) include one-time reductions in funding for Virginia Cares and sexual assault crisis centers, and on-going reductions in funding for school resource officers. In total, these other DCJS reductions total $426,534. The only other local aid reduction involves $2.5 million in reductions to the local detention center and court services unit funding provided by the Department of Juvenile Justice.

Strategies Requiring General Assembly Approval

The Governor's reduction plan recommends transferring $32 million in nongeneral fund balances to the general fund. The most significant of these strategies involves transferring a $26 million deposit to the Fire Programs Fund to the general fund. In place of the deposit, the Governor's plan proposes providing the agency with an equivalent line of credit, which in turn will be repaid by next year's Fire Programs Fund deposit. The implementation of this strategy and other nongeneral fund transfers will require the General Assembly's approval. The General Assembly must also recognize any proceeds from the sale of surplus property as revenue.

Administration

Budget savings strategies adopted by the Governor for the Office of Administration total $42.9 million and represent a 6.3 percent savings against the adopted 2010 budget. Of the identified savings, $35.6 million are from general fund expenditure reductions while $7.3 million is from revenues or transfers. Included in these strategies is the elimination of 18 positions, including an estimated 11 layoffs.

The large majority of the savings, (88 percent within the Office of Administration) is realized through savings of $37.6 million at the Compensation Board. Of the $37.6 million in savings, $30.4 million is realized through across the board reductions to the constitutional officers as shown in the table below:

Across the Board Reductions for Constitutional Officers
(in millions)

Constitutional Officers	% Reduction	Savings
Sheriffs & Regional Jails	4.74%	($19.5)
Directors of Finance	15.00%	($0.9)
Commissioners of Revenue	15.00%	($1.6)
Commonwealth's Attorneys	5.00%	($2.5)
Circuit Court Clerks	15.00%	($4.2)
Treasurers	15.00%	($1.6)
Total		**($30.4)**

In addition to the across the board reductions included in the plan, the Governor has authorized the Compensation Board to convert the savings already reflected in the budget from the 90-day delay in filling Constitutional Office's positions into an across the board reduction. Under this conversion the offices would be subject to an across the board reduction larger than the amount shown in the table above but they would no longer be required to keep unfilled positions vacant for 90 days.

Other savings strategies within the Compensation Board includes transferring $7.0 million from the circuit court clerks' Technology Trust Fund and establishing a line of credit for the fund, as well as $233,409 in savings from eliminating three vacant positions within the Compensation Board.

The plan includes $574,148 in savings at the Department of Human Resources Management (DHRM), $1.1 million in savings from the State Board of Elections (SBE), and $572,525 in savings from a 10 percent reduction in the payments to public broadcasting stations. The savings initiatives at DHRM include: $285,013 in savings and an estimated 5 layoffs from the elimination of the personnel development services department and $126,168 in savings from reducing the number of computer servers. Savings strategies within the SBE include $608,190 in savings from reducing the financial assistance payments for general registrars salaries by 10 percent and $131,077 from reducing the financial assistance payments for electoral board members' salaries and travel by 10 percent.

The plan includes $2.8 million in savings within the Department of General Services (DGS). Savings strategies within the DGS include savings of $167,000 from two strategies which include an estimated 6 layoffs within laboratory services. Other strategies include $250,000 from removing funding for two vacant capital outlay cost estimator positions (one position is eliminated and one would be filled in the next biennium), $880,000 in savings from supplanting general fund amounts with nongeneral funds for some personnel costs, $575,417 general fund savings from improving efficiencies in the director's office and $570,000 from the reversion of general fund balances.

In addition to the savings items included in DGS, there are two savings in Central Appropriations related to programs administered by DGS. The plan assumes a one-time savings of $7.4 million from a reduction in the percentage DGS charges agencies for use of the eVA purchase and supply system. The second strategy results in savings of $972,566 from suspending budgeted purchases of new vehicles for the state's central motor pool for one year.

Finance

Budget savings strategies adopted by the Governor for the Finance secretariat total $11.6 million, including $3.7 million in revenues/transfers to the general fund and $7.9 million in general fund reductions and result in an estimated 3 layoffs.

The strategies assume $4.8 million in savings at the Department of Taxation, whose plan includes $3.3 million in expenditure reductions and $1.4 million in revenues/transfers. The strategies include: additional transfers into the general fund of $500,000 in court debt revenues and $500,000 in land preservation tax credit revenues, $447,929 from the transfer of nongeneral fund balances into the general fund, turnover and vacancy savings of $541,166, and savings of $130,000 from current telecommuting practices. The plan also includes $1.7 million in savings from the reversion of general fund balances.

Savings initiatives for the Department of Planning and Budget total $1.0 million and include: $75,993 in savings from reducing the allocation for school efficiency reviews, $69,263 in reduced funding for the council on Virginia's future, $158,208 in savings from eliminating a vacant position, and $682,966 from the reversion of general fund balances. Savings initiatives for the Department of the Treasury total $333,921, include $186,000 in savings from the reversion of general fund balances. Strategies within the Department of Accounts result in savings of $1.5 million and an estimated three layoffs. The bulk of the savings is realized through a $1.3 million reversion of general fund balances at the Department. The net FY 2010 savings estimated for the layoffs is minimal, $15,000, due to Workforce Transition Act cost.

In addition, the plan includes savings of $3.9 million within the appropriation for Department of Account Transfer Payments including: $1.7 million in savings from two strategies which supplant general fund appropriations with VRS funds for the Line of Duty Benefits (as detailed in the employee compensation and benefits section above) and savings of $2.2 million from the reversion of excess balances in the Line of Duty program as the program reverts to being funded on a pay as you go basis.

Executive Offices

Savings strategies for the Executive Offices total $1.6 million, and represent a 5.9 percent reduction against the adopted 2010 budget including: $732,774 from the reversion of general fund balances, of which $659,658 in balances is reverted from the Office of the Governor.

A total of $919,496 of the $1.6 million in savings is realized at the Attorney General's office. Savings strategies at the Attorney General's office include: $377,180 from transferring four positions to the Medicaid fraud control unit which is funded with 100 percent nongeneral funds, $100,000 from reallocating the cost of a support position from the general fund to the Medicaid fraud control unit, $64,000 from implementing a one-day furlough identical to the proposal for other executive branch agencies, $75,000 from maximizing the use of asset forfeiture funds and $180,000 from expanding the hiring freeze to four additional vacant positions. In addition, $69,316 of the savings will be realized through the reversion of year-end balances.

Savings of $17,857 is realized within the Lieutenant Governor's office, with $3,800 of the savings through the reversion of balances and $14,057 from a reduction in discretionary expenses.

Agriculture and Forestry

Savings strategies adopted by the Governor for the Secretariat of Agriculture and Forestry total $5.4 million, of which $2.4 million results from a variety of nongeneral fund and general fund pledge balances and other one-time actions, such as discontinuing prepayment of insurance. Agency reductions total $3.0 million and incorporate the elimination of 30 positions, including an estimated 12 layoffs. In total, this reflects a reduction of 12 percent against the nonexempt agency base.

The savings strategies for the Department of Agriculture and Consumer Services (VDACS) total $3.7 million, of which $1.9 million, or about 50 percent comes from one-time actions – a combination of sweeping nongeneral fund balances and FY 2009 general fund pledge balances. Agency budgetary reductions make up the remaining 50 percent of savings, the largest category of which is $844,864 in personnel savings from the elimination of 18 full time positions, 11 of which are currently filled. The remaining savings of approximately $1.0 million is generated from a variety of business efficiencies and program reductions, including reductions in the PDR grants to localities, state support for coyote control, and support for agricultural education.

At the Department of Forestry (DOF), savings total $1.7 million of which about 72 percent are ongoing. The one-time actions include discontinuing prepayment of insurance and sweeping nongeneral fund and general fund pledge balances. Agency budget savings include $400,000 from the elimination of 8 vacant positions. The remaining savings of approximately $800,000 come from business efficiency improvements like reducing postage costs, wage employees, vehicle use, and deferring equipment purchases. Also of note is a $400,000 reduction in the general fund appropriation for the reforestation of timberlands.

Commerce and Trade

Budget savings strategies adopted by the Governor for the Secretariat of Commerce and Trade total $8.1 million, and represent a 7 percent reduction against the identified non-exempt base. At the agency level, the reductions range from lows of 3 percent at DBA and 4 percent at DOLI, to a high of 10 percent at both VEDP and VTA. In total, these strategies include the elimination of four positions, including one layoff (although reduction plans are not detailed at VEDP and VTA but left to their respective Board's discretion and thus may contain position eliminations).

At the Economic Development Partnership and the Virginia Tourism Authority 10 percent targets of $1.4 million and $1.6 million respectively were identified, but the specific strategies to achieve the reductions were left to the discretion of the Boards controlling these entities.

Savings for the Department of Housing and Community Development total $3.3 million or about 9percent. All of the reductions are ongoing and come from programmatic reductions – no balance captures or fund swaps are included. The largest of the strategies are a $1.25 million reduction in the Enterprise Zone Grants and a $750,000 reduction in the indoor plumbing program. Also included are: $242,301 in reductions to planning district commissions, and 10 percent reductions in the pass-through grants for water and sewer programs and for homeless intervention prevention grant funding.

Savings at other agencies include an 8 percent reduction, or $998,759, at the Department of Mines, Minerals and Energy (DMME). Almost 60 percent of the savings strategies at DMME ($565,982) result from supplanting general fund amounts with nongeneral fund sources and capturing nongeneral fund balances. The remainder includes $424,777 generated by eliminating discretionary spending and increasing well and mine safety fees. A 4 percent reduction, or $282,710 general fund, is included at the Department of Labor and Industry (DOLI). This amount includes imposing an apprenticeship program fee as well as increasing the boiler permit fee. Finally, the Department of Business Assistance's reductions total $380,601, or just 3 percent of the non-exempt base.

Natural Resources

The budget reduction strategies proposed by the Governor for the natural resources agencies total $9.3 million. This amount equals about 9.5 percent of the natural resources agencies' total appropriations for FY 2010. About 72 percent of these budget reductions, or $6.7 million, are considered to be on-going savings proposals. These include $3.8 million in discretionary spending reductions, $1.5 million in savings from personnel reductions, and $1.0 million from supplanting general fund support with nongeneral funds. The remaining strategies, $2.6 million, are considered one-time reductions. These one-time savings strategies include $1.0 million from the reversion of general fund balances and $2.0 million from the transfer of nongeneral fund balances to the general fund. In total, the budget reduction strategies proposed for natural resources agencies include the elimination of 29 positions, including 15 layoffs.

Savings proposals affecting three agencies represent about 91 percent of the Governor's reductions in the natural resources area. Reductions affecting the Department of Conservation of Recreation equal $4.3 million, including $1.9 million in reductions for staffing, services, and maintenance in state parks, and $1.1 million in reductions for nutrient management services, soil and water conservation districts, and the Virginia Outdoors Foundation and Natural Heritage programs. In addition to these reductions, the strategies also revert $500,000 in general fund balances from the agency.

Within the Department of Environmental Quality, reductions total $2.7 million. The agency's reductions include supplanting $1.5 million in general fund support with indirect cost recoveries, reducing environmental programs, such as water supply planning grants, citizen water quality monitoring, and Chesapeake Bay monitoring by $179,826, and capturing $500,000 in agency general fund balances. In addition, the agency's reductions include $564,830 from the elimination of contracts for studying fish tissues and a reduction in matching dollars for federal grants.

Savings proposals affecting the Marine Resources Commission total $1.4 million, and include $821,000 in savings from supplanting general fund costs for law enforcement and habitat management with nongeneral fund resources such as saltwater fishing license revenue, federal funds, and waterways improvement funds, and $601,094 from the elimination of oyster replenishment, reductions in payments to the Potomac River Fisheries Commission, and efficiencies in the use of law enforcement supplies.

Strategies Requiring General Assembly Approval

The Governor's reduction plan recommends a reduction of $350,000 in funding for state parks by implementing a transaction fee for state park reservations, and the transfer of $1.9 million in nongeneral fund balances from the Department of Environmental Quality to the general fund. These nongeneral fund balances include those for the waste tire pile cleanup fund, Litter Control and Recycling Grants, and the Virginia Environmental Emergency Fund. The implementation of both the state park transaction fee and nongeneral fund transfers will require the General Assembly's approval.

Technology

The budget reduction strategies proposed by the Governor for the technology agencies total $1.0 million. This equals about 12.6 percent of these agencies' total general fund appropriations for FY 2010. All of the proposed reductions for the technology agencies represent on-going savings. Most of the proposed savings, $879,313, represent reductions in discretionary spending. The largest of these strategies is a $451,250 reduction in the funding provided to support equity investments in Virginia seed-stage technology and life sciences companies. The remainder, $149,025, consists of reductions in personnel costs. The largest of these strategies is the elimination of contract positions by the Enterprise Applications Program in favor of full-time classified positions. This proposal is expected to save $137,112.

Transportation

The Governor's adopted savings strategies utilize a total of $17.5 million in nongeneral fund transfers and fund swaps from transportation agencies to help balance the general fund budget. The largest savings action is the transfer of $13.2 million in accumulated interest on general fund contributions to the Route 58 Corridor Development Fund back to the general fund. This strategy will require General Assembly approval. Also of note is the transfer for the general fund of the portion of the uninsured motorists' fee - $3.2 million – that had been dedicated to the DMV computer system redesign project.

Additional budget reductions will be required within the agencies of the Transportation secretariat to meet the nongeneral fund revenue shortfalls. The Commonwealth Transportation Board adopted a revised Six Year Improvement Program in June, 2009, and is expected to revise the program again this fall to reflect the additional adjustments in the Commonwealth Transportation Fund forecast released by the Governor in August. The reduction for FY 2010 included in the Governor's August 19 presentation totals $156 million, largely from declining titling and general sales and use taxes. VDOT already has announced its intention to eliminate approximately 600 employees in October as a result of the budget reductions implemented earlier this spring. These are in addition to the position eliminations announced in the Governor's plan.

Capital Outlay

The Governor proposes reverting about $131,000 in capital maintenance reserve balances. This proposal will require General Assembly action with language in the Caboose budget bill to be approved in the 2010 Session.