

Overview of the 2008-10 Budget as Amended and the 2010-12 Budget as Adopted

HB 29 (Chapter 872) - 2008-10 Biennial Budget, as Amended

The amended budget for FY 2010 reflects the continued downward revision in general fund revenues that began since the 2008-10 biennial budget was originally introduced in December 2007. Including the December 2009 reforecast, cumulative general fund revenue reductions for the 2008-10 biennium total over \$6.4 billion.

The budget reduction strategies included in HB 29 for fiscal year 2010 address a revenue shortfall of approximately \$1,843.4 million. The shortfall is comprised of the actual FY 2009 general fund shortfall of \$299.2 million and subsequent downward revisions to the FY 2010 general fund forecast in August and December 2009, totaling \$1,544.2 million.

Additional net new spending requirements for FY 2010 -- largely for growth in Medicaid -- total \$159.5 million. The impact of the revenue shortfall and additional spending requirements on the FY 2010 budget, when offset by \$109.5 million in American Recovery and Reinvestment Act (ARRA) federal stimulus funding set aside by the General Assembly during the 2009 Session, results in a cumulative budgetary shortfall for FY 2010 of \$1,893.4 million.

To address the shortfall, the amended budget includes \$2,025.6 million in strategies through a combination of general fund agency budget reductions, general and nongeneral fund cash balance reversions, a withdrawal from the Revenue Stabilization Fund, and several tax policy adjustments. Approximately \$1,350.0 million of the FY 2010 budget savings and revenue strategies were proposed in September 2009 and are contained as amendments to HB 29. Beyond the savings proposed in September, an additional \$433.6 million in net savings actions are also reflected in the amended budget. Several tax policy and several minor revenue items totaling \$242.0 million are included in the budget. Combined resource and spending adjustments result in a balance of \$132.2 million to be carried forward as the beginning balance for the 2010-12 biennial budget.

A number of the budget reduction strategies for FY 2010 are achieved through the use of one-time or non-recurring actions. One-time actions include: the withdrawal of \$293.4 million from the Revenue Stabilization Fund, \$154.7 million through two actions involving the Virginia Retirement System, \$134.9 million by deferring the 4th quarter payments to the Virginia Retirement System and \$19.8 million by delaying the payment of the employee five percent contribution until July, and, the use of an additional \$97.0 million in enhanced federal Medicaid payments instead of general fund dollars.

For the most part, agency-specific and targeted reductions carry forward into the 2010-12 biennium and are noted in each individual section of this document.

HB 30 (Chapter 874) - 2010-12 Biennial Budget

The HB 30 general fund revenue estimate for the 2010-12 biennium reflects the ripple effect of the \$1.5 billion revenue reduction required for FY 2010. In total, general fund revenues, excluding transfers, are estimated to be \$14,583.5 million in FY 2011 and \$15,303.1 million in FY 2012. This represents growth rates of 4.3 percent and 4.9 percent, respectively, for each year of the biennium. These revenue estimates reflect several tax policy actions, which are discussed further in the **Resources Section** of this document.

In crafting the 2010-12 budget, the 2010 General Assembly faced the challenge of a budget shortfall of nearly \$4.5 billion. This was due primarily to three factors. First, not all of the actions taken to balance the FY 2010 budget result in on-going base budget reductions. As a result, the 2010-12 base operating budget exceeded available revenues by about \$1.6 billion. Second, the use of federal stimulus money to help defray Medicaid spending in FY 2010 and two-quarters of FY 2011 was expected to end, resulting in the need to backfill federal dollars with about \$1.2 billion in general funds. Third, additional spending pressures in Medicaid, public education, debt service, and employee health care and retirement rates totaled roughly \$1.7 billion. These spending items are detailed below.

The budget as adopted employs several strategies for closing the budget shortfall, including:

- 1) Across-the-board and targeted reductions to general fund agencies and programs totaling \$716 million continued from agency plans submitted in September 2009;
- 2) An additional \$2.5 billion in targeted savings actions; and
- 3) Tax policy, balances, and non-general fund fee actions of about \$1.3 billion for the biennium.

The budget, as introduced, included savings of \$950.0 million GF in each year by eliminating state support for local personal property tax relief. This proposal was not adopted by the 2010 General Assembly. To partially offset this savings item, the General Assembly chose to fund less than the expected rate for several employee benefit programs, primarily VRS, for state employees and teachers. This action, which was accompanied by legislation that reduced retirement benefits for future employees, resulted in budget savings and additional resources of roughly \$780.0 million for the biennium. Details on these actions are included in the Central Appropriations section of this summary.

Budget Savings

Major general fund savings actions are highlighted in the table below.

Major Spending Reductions Approved in HB 29 and HB 30		
(GF \$ in millions)		
	<u>HB 29</u>	<u>HB 30</u>
Judicial Department		
Reduce Criminal Fund Due to Impact of Commonwealth's Attorneys Seeking Jail Time for Fewer Misdemeanor Offenses	-	(\$7.0)
Administration		
Secretary of Administration		
Reduce Funding for Grants for Public Television and Radio	(\$0.6)	(\$1.7)
Compensation Board		
Adjust Jail Per Diem Payment Rates	-	(\$45.9)
Implement Reductions for Sheriffs and Regional Jails	(19.5)	(8.3)
Implement Reductions for Treasurers	(1.6)	(8.0)
Implement Reductions for Commissioners of Revenue	(1.6)	(6.0)
Implement Reductions for Commonwealth's Attorneys	(2.5)	(4.5)
Eliminate Retirement and Life Insurance Payments for Constitutional Officers	(7.8)	-
Supplant GF for Dispatchers with E-911 Funds	(2.0)	(4.0)
Implement Reductions for Directors of Finance	(0.9)	(3.2)
Adjust Funding for Delayed Jail Opening	(3.6)	-
Liability Insurance and Bond Premium Payments	(3.3)	-
Reduce Operating Funds for Commissioners	-	(3.0)
Supplant GF for Clerks with Technology Trust Funds	-	(3.0)
Eliminate Jail Contract Bed Program	-	(2.9)
Reduce Operating Funds for Treasurers	-	(2.5)
Compensation Board Administration	-	(2.2)
Eliminate One Day of Funding for Constitutional Officers	(2.2)	-
Implement Reductions for Clerks of Circuit Court	(4.2)	(1.2)
Reduce Operating Funds for Directors of Finance	-	(1.1)
Reduce Career Development Program Funding	-	(1.0)
Department of General Services		
Improve Efficiency in Director's Office	(\$0.6)	(\$1.2)
Supplant GF with NGF	-	(2.0)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
State Board of Elections		
Reduce Assistance for General Registrar and Local Electoral Boards Compensation	(\$0.6)	(\$3.0)
Agriculture and Forestry		
Department of Agriculture and Consumer Services		
Eliminate 22 FTE Positions/Reduce Admin. Expenses	(\$2.3)	(\$4.9)
Department of Forestry		
Eliminate 8 FTE Positions/Reduce Admin. Expenses	(\$1.6)	(\$3.8)
Commerce and Trade		
Department of Business Assistance		
September 2009 Reductions/Reduce Admin. Expenses	(\$0.3)	(\$1.9)
Department of Housing and Community Development		
September 2009 Reductions	(\$3.3)	-
Reduce Enterprise Zone Program Grant	-	(2.0)
Reduce Southwest Water Grants and SERCAP	-	(1.7)
Reduce PDC and Supplemental PDC Grants	-	(1.7)
Reduce Homeless Prevention and Shelter Imp. Grants	-	(1.2)
Reduce Indoor Plumbing Rehabilitation Grant	-	(1.0)
Department of Mines, Minerals and Energy		
Supplant GF with New Fees and Administrative Efficiencies	(\$0.6)	(\$3.3)
Virginia Economic Development Partnership		
September 2009 Reductions/Reduce Admin. Expenses	(\$1.5)	(\$4.4)
Virginia Tourism Authority		
September 2009 Reductions/Reduce Admin. Expenses	(\$1.6)	(\$3.2)
Education		
Direct Aid (DA) to Public Education		
Supplant Portion of Basic Aid GF Payment with ARRA	(\$150.1)	-
Eliminate Textbook Funding	(79.6)	-
Eliminate Nonpersonnel Inflation Factor Costs	(61.3)	(9.5)
Sept. 2009 Reductions: Supplant GF with ARRA	(68.9)	-
Sept. 2009 Reductions: Suspend 4th Qtr Benefit Payments	(59.4)	(0.4)
Sept. 2009 Reductions: Supplant Literary Funds for GF VRS	(55.0)	-
Sept. 2009 Reductions: Update Net Sales Tax	(37.6)	-
Supplant GF with Literary Funding for VRS Payments	(17.0)	-

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Sept. 2009 Reductions: FY09 Lottery & Supplemental Prog. Adj.	(10.2)	-
Addl. Benefit Savings not Reflected in Sept. Reduction Plan	(9.8)	-
Delay 4th Qtr Reimbursements for State Operated Programs	(8.2)	-
Technical - Update Remedial Summer School Enrollment	(3.1)	-
Technical - Update ESL Enrollment	(2.9)	-
Technical - Update Incentive & Categorical Accounts	(2.0)	-
Benefits - Contribution Rates (VRS, GL, RHCC)	-	(345.8)
Adjust Health Care Costs for Actual Plan Participation	-	(269.2)
Eliminate Certain Personnel & Capital Exp from SOQ Model	-	(243.7)
Redirect Selected GF Programs to Lottery Proceeds Fund	-	(164.8)
Supplant Portion of Basic Aid GF Payment with ARRA	-	(126.4)
Include \$0 Values in LWA Calculation	-	(78.7)
Technical Correction - Use Fiscal & Contractual LEA ADM	-	(49.2)
Supplant Literary Funds for GF VRS Payments	-	(37.2)
Technical - Distribute Benefit Savings from Central Approp.	-	(36.3)
Reduce Textbook Funding	-	(34.1)
Update Federal Deduct Percentage	-	(34.0)
Technical - Adjust Net Sales Tax for December 2009 Reforecast	-	(33.9)
Extend School Bus Replacement Cycle by Three Years	-	(19.4)
Technical - Correct SOQ Model for Regional Centers	-	(17.5)
Reduce Variety of Supplemental Programs	-	(1.1)
Department of Education (DOE), Central Office Operations		
September 2009 Reductions	(\$3.0)	-
Reduce Personnel & Capture Benefit Savings from Central Appropriations	-	(2.4)
Supplant Academic Reviews & PASS Costs with NGF	-	(1.5)
Virginia School for the Deaf and the Blind		
September 2009 Reductions	(\$1.0)	-
Reduce Personnel & Capture Benefit Savings from Central Appropriations	-	(1.6)
Higher Education		
Colleges and Universities		
Higher Education Reduction Plan	(\$44.9)	(\$234.3)
Higher Education Reversion Clearing Account	-	(10.0)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Miscellaneous Reductions	-	(3.0)
Remove One-Time Procurement Support for IT and Equipment	-	(2.3)
Affiliated Institutions and Higher Education Centers		
Reduce GF Support	(\$4.5)	(\$14.5)
Tuition Assistance Grant Program Reduction	-	(10.0)
Reduce Funding for Jefferson Lab Research Facility/Hampton Proton Beam	-	(9.2)
Miscellaneous Reductions	-	(4.2)
State Museums		
Reduce GF Support	(\$4.5)	(\$11.2)
Reduce Aid to Local Libraries	(0.9)	(5.2)
Reduce Commission for the Arts Grants	(0.9)	(3.1)
Miscellaneous Reductions	-	(1.3)
Finance		
Department of Accounts		
Supplant GF Support for Line of Duty Act	(\$2.9)	(\$20.2)
Treasury Board		
Reduce Funding for Debt Service Requirements	(\$27.8)	(\$9.8)
Out-of-State Fees	-	(14.4)
HEETF Debt Service	-	(8.3)
Department of Taxation		
Administrative Savings	-	(\$5.2)
Turnover and Vacancy Savings	(0.5)	(4.0)
Health and Human Resources		
Comprehensive Services Act for At-Risk Youth and Families		
Reduce Forecasted Program Growth	(\$31.6)	(\$65.3)
Recover Excess Funding for Parental Agreements	(5.0)	(10.0)
Increase Local Share of Medicaid-Funded Residential Services	-	(4.0)
Reduce GF to Reflect Increased Medicaid Revenue	-	(3.8)
Eliminate Hold Harmless Clause for Residential Services	-	(1.6)
Reduce Appropriation Due to Increased Outcome Monitoring	-	(1.3)
Department for the Aging		
Reduce Funding for Individual Care Services	-	(\$1.5)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Department of Health		
Supplant GF with Environmental Health Services Fee Rev.	-	(\$7.6)
Reduce GF for OCME in FY 2012	-	(2.5)
Reduce Funding for Poison Control Centers	(0.2)	(2.1)
Supplant GF with NGF for Central Mgmt & Administration	(0.9)	(1.7)
Contract for Lab Services in Ten Health Districts	-	(1.4)
Eliminate Funding for Six Health District Pharmacies	(0.1)	(1.3)
Reduce State & Local Match for Health Districts	(0.5)	(1.0)
Fund Family Planning Services with NGF Resources	(0.5)	(1.0)
Department of Medical Assistance Services		
Enhanced Medicaid Match from ARRA	(\$97.0)	-
Reduce GF Share of "Clawback" with Federal ARRA Funds	-	(85.7)
Eliminate Inflation Adjustment - Hospital Operating Rates	-	(76.0)
FMAP - Reduce Eligibility Limits for Long-Term Care from 300% to 275% of Supplemental Security Income (SSI)	-	(53.3)
FMAP - Reduce Eligibility Limits for Long-Term Care from 275% to 250% of Supplemental Security Income (SSI)	-	(36.4)
Eliminate Statutory Increase in MR/DD Waiver Slots	-	(39.2)
FMAP - Phase-in Inpatient Hospital Rates Reduction of 4%	-	(38.8)
FMAP - Reduce Eligibility for Aged, Blind, and Disabled to 75% of Poverty	-	(36.2)
FMAP - Reduce Rates for Home & Community-Based Waivers by 5%	-	(36.1)
Maintain Nursing Facility Rates at FY 2010 Funding Level	-	(29.5)
Phase-in Nursing Home Operating and Capital Reductions	-	(29.3)
FMAP - Reduce Respite Care from 720 to 240 Hours Per Year	-	(26.4)
FMAP - Phase-in Practitioner Rate Reduction of 4%	-	(23.5)
Reduce Rates for Intensive In-Home Services from \$70 to \$60/hour effective February 1, 2010	(3.4)	(19.8)
FMAP - Reduce Eligibility Limits for FAMIS to 175% of poverty	-	(19.3)
Maintain DSH Payments at FY 2010 Funding Level	-	(17.9)
FMAP - Phase-in Outpatient Hospital Rates Reduction of 4%	-	(17.7)
FMAP - Freeze Community-Based Waivers in CY 2011	-	(17.1)
Reduce Indigent Care Costs by 3%	(7.0)	(15.0)
FMAP - Reduce Indigent Care Costs by 3%	-	(14.2)
Implement a Provider Tax on ICF-MR Facilities	-	(12.7)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Eliminate 200 MR Waivers Slots Slated for January 1, 2010	(2.5)	(11.7)
Enhanced Medicaid Match for CSA services	(7.5)	-
Adjust Funding for FAMIS Utilization & Inflation	(5.2)	-
FMAP - Reciprocal Payments for Out-of-State Hospitals	-	(5.1)
Withhold Inflation Adjustment - GME and IME Payments	-	(4.8)
Implement Pharmacy Management Savings	-	(4.5)
FMAP - Phase-in Hospital Capital Reduction of 4%	-	(4.3)
Eliminate Inflation Adjustment - Residential Psych. Facilities	-	(4.0)
Supplant GF for FAMIS with NGF from Virginia Tobacco Settlement Fund	-	(4.0)
FMAP - Phase-in Dental Services Reduction of 4%	-	(3.8)
FMAP - Phase-in Therapeutic Day Treatment Reduction of 4%	-	(3.8)
Reduce Indirect Medical Education for Out-of-State Hospitals	-	(3.6)
FMAP - Phase-in Psychiatric Treat. Facilities Reduction of 4%	-	(3.3)
Reduce Administrative Costs by 10%	-	(3.1)
Modify Durable Medical Equipment Incontinence Limits	-	(3.0)
Reduce Clinical Laboratory Rates by 5%	-	(3.0)
Eliminate Regular and Assisted Living Payment Programs	(0.4)	(2.9)
Reduce DSH Funding to Out-of-State Hospitals	-	(2.5)
Change Eligibility for Children's MH Demonstration Waiver	-	(2.0)
Eliminate Disease Management Program	(0.4)	(2.0)
FMAP - Increase Pharmacy AWP Discount from -10.25% to 13.1%	-	(1.7)
Increase Audits of Intensive In-Home MH Services	-	(1.5)
Replace GF with Federal Funding for Legal Alien Children	-	(1.4)
Reduce Rates for Therapeutic Behavioral Services	-	(1.1)
FMAP - Reduce Long-Stay Hospital Rates to Average Medicaid Costs	-	(1.0)
Department of Behavioral Health & Developmental Services		
Reduce Funding for Community-Based Services	(\$12.2)	(\$24.4)
Reduce Census at ID Training Centers Statewide by 57 beds	-	(10.0)
Reduce Non-Direct Care Expenses at State Facilities	(6.5)	(15.8)
Reduce Support Positions at State Facilities	(3.2)	(8.0)
Implement Recommendations of Pharmacy Management Study	-	(7.0)
Supplant GF With NGF Balances to Support CSB Services	(4.5)	-
Eliminate Additional Central Office Positions	(0.8)	(4.3)
Reduce Direct Care Positions at MH Facilities	(1.5)	(4.0)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Consolidate Support and Administrative Functions	(1.6)	(2.6)
Close One Living Unit at Central Virginia Training Center	-	(2.3)
Close Adolescent Unit at Southwestern VA Mental Health Institute	-	(2.1)
Transfer Geriatric Patients from Southwestern VA Mental Health Institute to Piedmont Geriatric Hospital	-	(2.0)
Reduce Special Hospitalization Funding	(0.2)	(1.5)
Reduce Pharmaceutical Costs	(0.7)	(1.5)
Reduce Funding for MR Waiver Start-Up	-	(1.4)
Consolidate Physician Coverage	(0.3)	(1.2)
Terminate Direct Management of Community Resource Pharmacy	(0.3)	(1.2)
Reduce 24 Beds at Southeastern Virginia Training Center	-	(1.0)
Prepay FY 2010 Expenses in FY 2009	(2.8)	-
Department of Rehabilitative Services		
Reduce Vacant and Filled Classified and Wage Positions	(\$1.9)	(\$4.7)
Reduce Administrative Funding by 5%	-	(2.7)
Reduce Vacant and Filled Classified and Wage Positions at WWRC	-	(1.8)
Department of Social Services		
FMAP - Phase-In Local DSS Operating Reduction of 4%	-	(\$6.3)
Reduce Local DSS Operating Reimbursements by 1%	-	(2.3)
FMAP - Reduce Funding for General Relief Program	-	(4.8)
FMAP - Phase-Out Funding for Other Purchased Services	-	(3.8)
Reduce Funding for Other Purchased Services	(0.4)	(1.6)
FMAP - Supplant GF for Child Welfare Services	-	(3.0)
Reduce Funding for Chore and Companion Services	(0.7)	(1.4)
FMAP - Reduce Chore and Companion Program Services	-	(2.0)
Reduce Local Employee Training Contract at VCU by 50%	-	(2.8)
Foster Care and Adoption Subsidies Caseload Estimate	(2.8)	-
FMAP - Reduce Auxiliary Grant Payments by 4%	-	(2.4)
Reorganize and Reduce Central Office Admin. Functions	(0.7)	(2.2)
FMAP - Supplant GF in Child Welfare Services with SSBG	-	(2.0)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Establish Daily Supervision Rate for Special Needs Foster & Adoptive Kids	(0.4)	(1.8)
Reduce Administrative Funding by 5%	-	(1.2)
Natural Resources		
Department of Conservation and Recreation		
Reduce Funding for State Parks	(\$2.3)	(\$3.2)
Reduce Funding for Soil and Water Conservation Districts	(0.7)	(1.8)
Reduce Funding for the Land Conservation Foundation	-	(1.0)
Department of Environmental Quality		
Supplant GF with Increased Environmental Permit Fees	\$0.0	(\$5.0)
Supplant GF with Indirect Cost Recoveries	(1.5)	-
Reduce Match for Wastewater Revolving Loan Fund	(0.2)	(1.7)
Marine Resources Commission		
Supplant GF for Marine Police and Habitat Management	(\$0.8)	(\$1.6)
Public Safety		
Department of Correctional Education		
Eliminate Staffing Due to DOC Prison Closings	-	(\$4.7)
Additional Reductions and Agency Restructuring	-	(4.6)
Department of Corrections		
Close Brunswick Correctional Center	(\$10.4)	(\$40.2)
House Additional Out-of-State Inmates	-	(19.7)
Close Additional Facilities	-	(12.3)
Defer Institutional Equipment Purchases	(9.0)	(2.5)
Capture Information System Development Balances	-	(10.3)
Close Botetourt Correctional Center	-	(4.9)
Capture Vacancy Savings/Other Savings	(1.5)	(3.0)
Eliminate Payments in Lieu of Taxes for Prisons	-	(2.9)
Replace Prison Operations Funding with NGF	(1.3)	-
Department of Criminal Justice Services		
Reduce HB 599 (State Aid to Localities w/ Police Departments)	(\$16.5)	(\$55.8)
Department of Forensic Science		
Delay Year-End Payments and Prepayments	(\$1.1)	-
Department of Juvenile Justice		
Close Natural Bridge Juvenile Correctional Center	(\$1.2)	(\$5.6)
Reduce Funding for Local Detention and Court Services Units	(2.5)	(5.0)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Capture Turnover and Defer Equipment Purchases	(3.0)	(2.9)
Reduce Funding for Juvenile Community Crime Control Act (VJCCCA) Grants	-	(5.0)
Reduce Court Service Unit Staffing and Support Costs	(1.3)	(2.6)
Eliminate Central Office Positions	(0.5)	(1.3)
Reduce Juvenile Probation Contract Services Funding	(0.5)	(1.1)
Department of Military Affairs		
Eliminate Funding for Commonwealth Challenge	-	(\$1.9)
Department of State Police		
Supplant GF for Law Enforcement with NGF Balances	(\$6.2)	-
Eliminate Wage Positions	(1.2)	3.2)
Supplant GF for State Police Med-Flight Operations	1.0)	(2.9)
Defer Purchase of Patrol Vehicles	(1.3)	(2.5)
Postpone 116th Basic Trooper School	(1.3)	(2.0)
Postpone 117th Basic Trooper School	-	(2.1)
Postpone 118th Basic Trooper School	-	(1.3)
Reduce State Police Aviation Fleet	(1.8)	(0.7)
Transportation		
Department of Transportation		
Reduce GF for Route 58 Corridor Program Debt Service	(\$13.2)	-
Technology		
Virginia Information Technologies Agency		
Reduce IT Services and Overhead Charges	(\$1.8)	(\$6.8)
Central Appropriations		
Local Aid Reversions	-	(\$120.0)
Suspend 4th Quarter VRS Contributions	(36.1)	-
Record 4th Quarter VRS Contributions in June	-	(33.9)
Delay 4th Quarter Employees Contributions	(19.8)	-
Suspend 4th Quarter Benefit Contributions	(13.2)	-
Employee ORP Retirement Contribution (1% FY2011/ 2% FY 2012)	-	(10.5)
State Employee Furlough	(9.3)	-
Higher Education Interest	-	(8.1)
Reduce Deferred Compensation Match	-	(6.0)

Major Spending Reductions Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Purchase & Supply System Rates	(3.2)	-
Other Employee Benefit Contribution Rates	-	(2.0)
Additional Agency Reductions	1.7)	-
State-Supported Local Employee Furlough	(1.3)	-
Other CA Reductions	(0.9)	(1.5)
All Other Operating Reductions (includes proposed Car Tax Reduction of \$1,900 million in HB 30)	<u>(\$224.5)</u>	<u>(\$2,543.6)</u>
Grand Total	(\$1,314.0)	(\$5,930.8)

Spending Increases

The majority of spending items for the 2010-12 biennium include programs driven by federal and state mandates, enrollment growth, and caseload increases:

- \$1,191.5 million GF to backfill Medicaid due to the loss of federal stimulus funds;
- \$777.7 million GF to address the increased cost to Medicaid from increased utilization and inflation;
- \$273.3 million GF to address the costs of re-benchmarking and \$203.6 million to address the revised composite index and to provide a partial “hold-harmless” for those localities losing funding under the revision.

Major general fund spending items are detailed in the table below.

Major Spending Increases Approved in HB 29 and HB 30		
(GF \$ in millions)		
	<u>HB 29</u>	<u>HB 30</u>
Administration		
Compensation Board		
Annualize Funding for New Jails Opened During FY 2010	-	\$11.8
Staffing for New Jails	-	4.8
Reverse Technology Trust Fund GF Supplant	-	3.0
Increase in Reimbursement Costs for Constitutional Officer Group Retirement	-	2.8
Provide Funding for Housing State-Responsible Inmates	-	2.4
Commerce and Trade		
Secretary of Commerce and Trade/Incentive Payments		
Rolls Royce Incentive Payments (HB 29 ARRA Swap)	\$9.4	\$20.3
Increase Governor's Opportunity Fund	-	12.1
VIP and MEE Grant Incentive Payments	-	8.6
Transfer BRAC for Oceana from Central Appropriations	-	7.5
Fund Ignite Institute - New Incentive	-	5.5
Semiconductor Grant Incentive Payments	-	5.4
Increase Motion Picture Opportunity Fund	-	2.0
Fund SRI International Incentive	2.0	1.0
Swap ARRA funds with GF for GOF and VIP Grants	1.6	-
Department of Business Assistance		
VJIP, Loan Guarantee and Business One-Step Programs	-	\$5.5
Department of Housing and Community Development		
Swap ARRA Funds with GF for FMFADA	\$1.6	-
Backfill TANF Removed from Homeless Programs	-	7.6
Fund Fort Monroe Federal Area Development Authority	-	2.2
Virginia Economic Development Partnership		
National/International Marketing/Open Overseas Offices	-	\$6.0
Biotech Wet-Lab Program	-	3.0
Operating Funds for Commercial Space Flight Authority	-	1.6
Virginia Tourism Authority		
Expand Tourism Marketing	-	\$7.2

Major Spending Increases Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Education		
Direct Aid (DA) to Public Education		
Technical - Update Student Enrollment Projections	\$14.5	-
Rebenchmarking Updates:		
SOQ Model Data Input Costs	-	\$105.1
VRS, Group Life & RHCC Rates	-	91.2
Composite Index	-	68.5
Student Enrollment Projections	-	39.4
Categorical Programs	-	3.1
Composite Index Hold Harmless Payments	-	174.1
Restore VPSA Technology Grants	-	13.5
Technical - Correct SOQ Model for Facility Support Positions	-	8.0
National Board Certification Teacher Bonuses	-	1.0
Higher Education		
Colleges and Universities		
Program Enhancements at LU, UMW, NSU, VSU, VCU	-	\$3.3
Finance		
Department of Accounts - Transfer Payments		
Revenue Reserve	-	\$50.0
Transfer Payments to Localities	1.0	3.0
Treasury Board		
Debt Service for Current Authorizations	-	\$165.8
Restore Jail Reimbursement (Arlington & Chesapeake)	2.6	-
Health and Human Resources		
Department of Health		
Increase Funding for OCME Due to Melendez-Diaz Ruling	-	\$1.9
Department of Medical Assistance Services		
Backfill Medicaid Due to Phase-Out of ARRA Funds	-	\$1,191.5
Fund Medicaid Utilization and Inflation	80.1	777.7
Additional Funding for MHMR Facility Medicaid Costs	-	31.9
Adjust Funding for Virginia Health Care Fund	9.8	14.0
Fund Medical Assistance Services for Low-Income Children (SCHIP)	3.1	26.6
Fund FAMIS Enrollment and Utilization	-	12.0

Major Spending Increases Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Fund Medical Services for Involuntary Mental Commitments	3.1	6.1
Modify Medicaid Coverage for Pregnant Women (CHIPRA)	-	1.3
Fund Transition Costs to New Medicaid Managed Information System (MMIS)	2.0	-
Claims & Fiscal Agent Costs Due to Higher Enrollment	1.5	-
Department of Social Services		
Fund Unemployed Parents Cash Assistance Program Growth	\$5.5	\$7.3
Restore GF for Child Support Enforcement	1.4	5.0
Fund Foster Care and Adoption Subsidies Caseload Estimate	-	3.7
Restore GF for Healthy Families of Virginia to Offset Reduction in TANF Funding	-	2.9
Restore GF for Local Domestic Violence Grants to Offset Reduction in TANF Funding	-	1.8
Fund VITA Costs for Increased Use of Eligibility Systems	1.8	-
Provide Funding for Virginia Food Banks	-	1.0
Natural Resources		
Department of Conservation and Recreation		
Provide Funding for Agricultural Best Management Practices (HB 29 ARRA Swap)	\$15.2	\$10.0
Restore Funding for Virginia Land Conservation Fund	2.0	2.0
Restore Conservation Reserve Enhancement Program (CREP)	-	0.9
Department of Environmental Quality		
Restore FY 2010 Budget Reduction	\$1.5	-
Public Safety		
Department of Corrections		
Replace Out-of-State Inmate Revenue	-	\$17.4
Increase Funding for Inmate Medical Costs	-	4.7
Mothballing Cost of New Prison in Grayson County	-	1.4
Department of Forensic Science		
Increase Funding for Court Testimony to Comply with Melendez-Diaz Supreme Court Ruling	\$0.2	\$1.6

Major Spending Increases Approved in HB 29 and HB 30 *(cont'd)*
(GF \$ in millions)

	<u>HB 29</u>	<u>HB 30</u>
Department of State Police		
Maintain State Agencies Radio System (STARS)	-	\$4.0
Technology		
Innovation & Entrepreneurship Investment Authority		
Commonwealth GAP Fund	-	\$1.5
Central Appropriations		
Central Appropriations		
Eliminate Aid to Localities Reduction	-	\$100.0
Provide Funding for State Employee Health Insurance	-	23.2
Fund Increases in VRS Retirement Contribution Rates	-	13.9
Fund Increases in State Employees Workers Compensation Premiums	-	6.8
Fund Line of Duty Act Premiums		3.0
Add Supplemental Funding for VITA Rate Charges	9.7	-
All Other Operating Increases		
(includes restoration of \$1,900 million for Car Tax in HB 30)	<u>\$87.0</u>	<u>\$2,241.3</u>
Grand Total	\$256.6	\$5,337.9

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

Public Education. Approved amendments for FY 2010 result in a net decrease of \$249.2 million or 3.5 percent, compared to Chapter 781 for all funds. The approved amendments decrease funding for Direct Aid to Public Education by a total of \$550.1 million GF or 10.3 percent. Alternatively, the nongeneral fund revenue sources, which include additional federal stabilization dollars, Literary and Lottery Proceeds Funds, increase K-12 funding by a net of \$300.9 million NGF.

In addition to the \$365.2 million in ARRA funds allocated in Chapter 781, the approved amendments bring the FY 2010 total federal stabilization funds for K-12 to \$584.2 million, leaving the remaining \$126.4 million to be allocated in FY 2011. An estimated state savings of \$59.4 million GF from deferring payment of the employer's share of retirement and other benefits contribution rates in the 4th quarter was also included in the final budget.

The adopted FY 2010 budget amendments also eliminate \$79.6 million GF for the state's share of textbooks and remove as on-going policy, the routine re-benchmarking update for inflation (which is used to bring the base year cost data up to the beginning of the biennium) for a savings of \$61.3 million.

The adopted 2010-12 budget, Chapter 874, for Direct Aid to Localities for Public Education results in a net biennial decrease of \$837.2 million, or 6.2 percent, for all funds. The approved amendments decrease the GF allocation by \$997.5 million, or 9.4 percent. However, the other revenue sources offset the GF reduction by an increase of \$160.3 million NGF, or 5.8 percent. The total adopted FY 2011 budget represents a decrease of 2.8 percent compared to the adopted budget, Chapter 872, for FY 2010; while the total adopted FY 2012 budget represents an increase of 0.4 percent over the adopted budget for FY 2011.

Specifically, these adopted biennial amendments include a net increase of \$86.9 million GF for rebenchmarking and technical updates and \$174.1 million GF for Composite Index Hold Harmless payments to school divisions whose indices increased as a result of the 2010-12 rebenchmarking cycle.

The adopted amendments also include a number of strategies that result in GF savings: \$385.3 million GF from several policy changes related to customary rebenchmarking updates for SOQ Basic Aid, \$269.2 million through funding health care premiums based on statewide actual participation rates, \$254.6 million from approved retirement and benefits contribution rates that are significantly lower than those approved by the VRS Board, \$164.8 million from using Lottery Funds for several GF program initiatives, and \$34.1 million from reduced allocation for textbooks.

Higher Education. For FY 2010, higher education institutions and their directly affiliated agencies originally received reductions of \$214.6 million GF. Chapter 872 of the 2010 Acts of Assembly contains additional reductions of \$46.7 million GF, for a total of \$261.3 million GF. This is partially offset by proposed federal stimulus funding of \$75.0 million GF in FY 2010.

For the 2010-12 biennium, the amendments for all higher education agencies result in a GF decrease of \$324.0 million GF or 9.5 percent when compared to the original appropriation. Reductions of \$294.8 million GF are included for public colleges and universities and directly affiliated agencies for the biennium. Federal stimulus funding of \$198.3 million is provided for FY 2011, and more than offsets reductions in that year. However, no stimulus funding is available for FY 2012, resulting in general fund reductions of 13 to 15 percent.

Health and Human Resources. The amended budget for FY 2010 includes net general fund savings of \$115.5 million and net nongeneral fund increases of \$94.8 million. General fund spending increases of \$108.2 million are offset by spending reductions of \$223.8 million. Most

new spending in HB 29 is either mandated or a high priority, including \$83.2 million GF to fully fund Medicaid caseload and cost increases.

Savings in HB 29 are primarily related to the Governor's September 2009 budget plan, although additional savings were announced in December. These strategies include expedited implementation of Medicaid cost-containment measures related to behavioral health services, the elimination of 100 Mental Retardation/Intellectual Disabilities (MR/ID) waivers slated to be allocated on January 1, 2010 (the Governor previously announced in September 2009 that 100 MR/ID waivers would be withheld), and recognition of enhanced federal Medicaid matching funds for services provided through the Comprehensive Services Act (CSA).

The approved budget for 2010-12 provides a net increase of \$1,064.2 million GF and a reduction of \$294.3 million NGF compared to Chapter 781 of the 2009 Acts of the Assembly. New biennial spending of \$2,087.1 million is offset by reductions of \$1,022.9 million. The majority of general fund spending in HHR, or \$2.1, billion is required to comply with federal and state mandates to address caseload and cost increases. Most of the additional funding is attributable to Medicaid where general fund support is required to backfill the loss of temporary federal fiscal relief (\$1.2 billion) beginning January 1, 2011 and to fund the increasing demand for health care services (\$777.7 million).

Two high priority spending items include funding for the Office of the Chief Medical Examiner to accommodate an anticipated increase in forensic caseloads resulting from the Supreme Court's decision in the Melendez-Diaz Case, and \$1.3 million to expand Medicaid coverage to pregnant women up to 185 percent of poverty if they have other health care insurance. Medicaid will cover the costs not covered by private insurance. This change is required to comply with the Commonwealth's Medicaid waiver for FAMIS.

Discretionary general fund spending in HHR is minimal. The budget includes \$7.3 million to accommodate increased growth in the Unemployed Parents Cash Assistance Program. In addition, \$5.3 million is provided for Healthy Families Virginia, CHIP of Virginia, and local domestic violence grants to restore support that was previously provided from the federal TANF block grant. Finally, \$1.0 million is added for the Federation of Virginia Food Banks in FY 2011 only.

General fund spending reductions exceed \$1.0 billion for the biennium. Medicaid reductions total \$736.8 million GF, accounting for 72 percent of the approved reductions. Cuts to provider rate reimbursements total \$366.8 million GF and account for almost one-half of the reductions in Medicaid; these reductions also result in the loss of federal Medicaid matching funds of \$371.2 million. The budget eliminates all inflationary increases to reimbursement rates for Medicaid providers that receive these adjustments. Budget language was added to restore many of the provider rate reductions not related to inflationary adjustments contingent upon a six-month extension of Federal Medical Assistance Percentage (FMAP) funding provided through the federal American Recovery and Reinvestment Act; however, the Governor has discretionary authority to restore funding in part or in full for these reductions based on the actual receipt of this funding for Virginia.

Changes to Medicaid and FAMIS eligibility account for the second largest category of general fund savings totaling \$163.8 million or 22 percent. Most of the eligibility reductions are slated to take effect on January 1, 2011 or six months thereafter to comply with federal maintenance of effort requirements. Most of the eligibility reductions are restored if Congress passes a six-month extension of FMAP funding.

Aside from Medicaid, two agencies account for most of the remaining general fund reductions in HHR: the Department of Behavioral Health and Developmental Services or DBHDS (\$111.3 million) and the Comprehensive Services Act for at-risk youth and families (\$85.9 million). DBHDS reductions can be attributed to less funding for community-based services, the closure of the adolescent and geriatric units at Southwest Virginia Mental Health Institute in Marion, the reduction in census at state intellectual disability training centers and administrative efficiencies at state facilities and within the central office. CSA reductions are primarily related to slower growth in the program.

Public Safety. The budget for the 2010-12 biennium results in a net general fund decrease of \$229.5 million, or 6.5 percent less than the base budget. This net decrease includes total increases of \$85.8 million offset by total decreases of \$315.3 million, including continuation of the September 2009 reduction strategies into the new biennium.

The Department of Corrections (DOC) has closed eight correctional facilities since October 2008. This translates into about 2,500 state beds and the adopted budget includes the savings associated with closing one additional major institution during the 2010-12 biennium. The construction of one new prison in Grayson County will be completed in mid-2010, and the adopted budget adds \$715,000 GF each year for mothballing expenses. Other significant actions include replacing the nongeneral fund revenues lost by DOC due to the end of the contract for housing Wyoming prisoners, and the addition of \$10.1 million NGF each year from housing 1,000 prisoners from Pennsylvania.

For the Department of State Police, the next three trooper schools are postponed, but \$3.4 million GF is included in the second year for the 116th Basic Trooper Academy to begin. State aid for localities with police departments (HB 599) is reduced by 1.2 percent from \$180.8 million in FY 2010 to \$178.7 million in FY 2011. Additional funds are included for the Department of Forensic Science to meet increased workload requirements resulting from the U.S. Supreme Court's 2009 decision in the Melendez-Diaz case.

Nongeneral fund amendments for the Department of Alcoholic Beverage Control reflect an increase of \$19.5 million NGF each year for purchase of merchandise for resale and the opening of up to 20 new ABC stores. The new stores are expected to generate increased net profits for the general fund totaling \$1.3 million in fiscal year 2011 and \$3.9 million in fiscal year 2012. A two percent markup in prices charged at the ABC stores, effective February 1, 2010, generates increased net profits for the general fund estimated at \$1.6 million in FY 2010 and \$4.0 million each year in fiscal years 2011 and 2012.

Compensation. Approved amendments for FY 2010 result in a net reduction of \$82.2 million GF in funding for employee compensation and benefits. These general fund decreases for FY 2010, which are budgeted in the Central Appropriations, include \$69.1 million from suspension and deferral of employer retirement and employee benefit contribution rates in the fourth quarter of FY 2010, and \$11.1 million GF by implementing a one-day furlough of state employees and state-supported local employees.

For the 2010-12 biennium, general fund appropriations result in a net increase of \$87.2 million GF in funding for employee compensation and benefits. This includes decreases of \$38.4 million GF and increases of \$126.2 million GF. Savings include \$19.5 million GF by recording the employee retirement contributions for the fourth quarter of FY 2011 in July instead of June; \$15.8 million from reinstatement of the 5.0 percent employee retirement contribution for new employees; \$2.0 million GF from reductions in the employer premiums for state employee group life insurance, the Virginia Sickness and Disability Program, and the state employee health insurance credit, and \$1.1 million from a reduction in the employer contribution for optional retirement plans (ORP). Approved general fund increases for employee benefits include \$82.2 million for a 3 percent employee bonus (contingent on FY 2010 revenues and balances); \$23.2 million GF for the employers' share of the increase in health insurance premiums for the State Employee Health Insurance Program and the University of Virginia Health Insurance Program; \$14.0 million for 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), and \$6.8 million GF for an increase in Workers' Compensation Insurance premiums.

In addition to appropriation reductions, \$785.8 million is captured from agency balances resulting from compensation actions: \$621.3 million from Virginia Retirement System contribution rates, and \$164.5 million from other employee benefit contributions.

Central Appropriations. General fund actions in Central Appropriations for FY 2010 include a reduction of \$36.1 million from suspension of employer's retirement contribution rates for the fourth quarter of FY 2010; \$13.2 million GF through the suspension of employer contributions for Group Life Insurance, Sickness and Disability Coverage, and the Retiree Health Care Credit in the fourth quarter of FY 2010; \$19.8 million GF by recording the employee retirement contributions for the fourth quarter of FY 2010 in July instead of June, \$9.8 million GF by implementing a one day furlough of state employees; \$3.2 million GF by lowering agency service charges for use of the state purchasing system (eVA); \$1.3 million GF by reducing funding for state-supported local employees by 1/249 of such employees annual salary, which is equivalent to a one day furlough; and, \$2.6 million from other actions. General fund increases in Central Appropriations for FY 2010 include: \$30.9 million GF in FY 2010 for assistance to localities impacted by the recommendations of the federal Base Realignment and Closure (BRAC) Commission, economic development incentive payments to SRI International and Rolls Royce, and \$9.7 million GF for a one-time correction in the decentralized service rates charged by VITA.

General fund decreases in Central Appropriations for the 2010-12 biennium include: a technical reduction of \$1,900.0 million GF from transfer of the personal property tax relief program to the Department of Accounts Transfer Payments, reductions of \$125.8 million GF in employee compensation and benefit programs, \$8.4 million from elimination of payments to institutions of higher education for interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases in FY 2012.

General fund increases in Central Appropriations for the 2010-12 biennium include: \$44.0 million for increases in the cost of state employee benefit programs, \$3.0 million for the Line of Duty Act, \$2.4 million for the Governor's Miscellaneous Contingency Reserve, and \$132,692 GF of payments to institutions of higher education for interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases in FY 2012.

Judicial Department. The adopted budget for the 2010-12 biennium results in a net decrease of \$13.5 million from the general fund for judicial agencies. Of this net reduction, \$5.8 million represents the distribution of the reductions from central appropriations which were included in Chapter 781. The changes include a reduction of \$3.5 million each year from the Criminal Fund to reflect the expectation that the Commonwealth's Attorneys will not seek jail time for minor misdemeanor offenses; an increase of \$150,000 each year for involuntary mental commitments; a reduction of \$100,000 each year in support for legal aid; increased operating expenses for the State Board of Bar Examiners; and, reduced operating expenses for the Virginia State Bar. In addition, language is included directing that all vacant Circuit and District judgeships be frozen from February 15, 2010, through June 30, 2012, with the corresponding generation of additional general fund balances from position vacancy savings.

Finance. Approved amendments for the Finance secretariat result in a net decrease of \$37.1 million GF for FY 2010, and an increase of \$2,043.3 million general funds for the 2010-12 biennium. The majority of the savings for FY 2010 comes from a \$27.8 million reduction in debt service funding at the Treasury Board based on updated estimates. Significant general fund expenditures for the 2010-12 biennium include \$1,900.0 million for restoration of the Personal Property Tax Relief (Car Tax) program; a \$50.0 million reserve fund for an anticipated FY 2013 deposit into the revenue stabilization fund; and, \$157.4 million in additional debt service requirements. Significant general fund savings actions include elimination of the \$20.1 million general fund support for the Line of Duty program and conversion of the program to a premium funded insurance program, as well as funding with the VRS administered retiree health credit and group life insurance programs; a \$14.4 million offset to debt service payments from an increase in the capital fee for out of state students; and, \$5.2 million from administrative efficiencies at the Department of Taxation.

Administration. Approved amendments for Administration result in a net decrease of \$163.2 million GF for FY 2010, representing a 24.1 percent reduction from the budget approved

in Chapter 781. Over 70 percent of the reductions in FY 2010 are within the Compensation Board with the majority of the reduction coming from a proposal to supplant \$109.5 million general fund support for sheriff's offices with federal stimulus funds. Other significant FY 2010 savings within the Compensation Board include the \$30.4 million in across-the-board reductions for constitutional officers included in the September 2009 reduction plan and \$7.8 million in savings from deferring the 4th quarter payments for retirement and group life insurance for employees of constitutional offices.

The budget for the 2010-12 biennium includes a net decrease of \$114.5 million GF and a net increase of \$115.4 million NGF. The General Assembly rejected a proposal to transfer the Compensation Board to the Public Safety Secretariat. Significant actions include the restoration of \$174.5 million for locally elected constitutional officers funded through the Compensation Board, and the transfer of funding for public television and radio grants from the Secretary of Administration to the Secretary of Education and Workforce. The increase in the NGF appropriation is due to a \$120.0 million increase in the appropriation for the Local Choice health insurance program.

Technology. The approved Technology budget for the 2010-12 biennium totals \$10.3 million, representing a reduction of \$6.1 million GF when compared to the secretariat's current appropriations in Chapter 781 of the 2009 Acts of Assembly. In addition, the amendments include increasing the nongeneral fund transfer of funds from the Wireless E-911 Fund to support sheriff's dispatchers by \$2.0 million each year and the elimination of \$1.7 million in expenses for the Virginia Election and Registration System. The approved budget also includes \$9.4 million in Central Accounts to support agency IT spending in HB 29. Also included are several language amendments designed to increase the transparency of the current information technology outsourcing agreement and establish a process for implementing management efficiencies within the Virginia Information Technologies Agency. Finally, the amendments require VITA to develop a plan for improving the efficiency and effectiveness of services provided, and to evaluate the long-term viability of the Virginia Enterprise Applications Program.

Agriculture and Forestry. Adopted amendments for the Agriculture and Forestry secretariat for FY 2010 total \$3.9 million and reflect the Governor's September 2009 reduction plan. For the Department of Agriculture and Consumer Services, reductions equal 7 percent of the FY 2010 GF appropriation in Chapter 781. At the Department of Forestry, the GF reduction is 9 percent of the FY 2010 budget as adopted by the 2009 General Assembly.

The approved appropriation for Agriculture and Forestry in the FY 2010-12 biennium totals \$81.9 million GF and \$86.2 million NGF, a reduction of \$10.7 million GF offset by a net increase of \$2.1 million NGF compared to Chapter 781. This reflects the continuation of the majority of the September 2009 reduction plan as well as additional GF reductions totaling \$2.7 million GF.

Natural Resources. Adopted amendments for the Natural Resources secretariat for FY 2010 include a general fund reduction of \$9.3 million from the Governor's September 2009 reduction plan. In addition, the budget restores \$17.2 million in general funds for land conservation and agricultural best management practices. Chapter 781 originally assumed that federal stimulus funding would be used for these payments.

HB 30 includes a decrease of \$22.1 million GF and \$83.0 million NGF in the 2010-12 biennium compared to the adjusted appropriation for current operations. This total includes reductions of \$26.7 million GF offset by new spending of \$4.6 million GF. The only significant new spending item proposed for Natural Resources is \$18.2 million NGF for implementation of agricultural best management practices. This increase to the nongeneral fund appropriation is offset by removing the appropriation of \$55.7 million NGF each year for cash expenditures of previous WQIF deposits.

Commerce and Trade. Adopted amendments for Commerce and Trade reflect a net decrease of \$4.4 million GF in FY 2010 when compared to Chapter 781. This net total includes \$7.6 million in savings included in the Governor's September 2009 reduction plan, offset by the replacement of \$3.2 million in federal stimulus funding with a like amount of general fund resources.

The 2010-12 budget includes \$309.5 million GF and \$2,132.0 million NGF, an increase of \$81.2 million GF compared to the adjusted appropriation for current operations. Included among the increases was a total of \$61.4 million in targeted funding for economic development and job creation initiatives, including doubling the Governor's Opportunity Fund in the first year of the biennium, and increasing funding for the Department of Business Assistance and the Virginia Tourism Authority.

Transportation. Amendments for the Transportation secretariat for FY 2010 include reductions of \$14.3 million GF and \$155.6 million NGF. The NGF reduction represents the August and December forecast adjustments of Commonwealth Transportation Fund revenues. The general fund reductions reflect the Governor's September 2009 reduction plan and include using \$13.2 million in balances in the Route 58 Corridor Development Fund to supplant a like amount of GF resources that had been dedicated to the debt service.

The 2010-12 budget provides a total of \$8.1 billion for Transportation agencies, which includes \$81.9 million GF and \$8.0 billion NGF for the biennium – a reduction of \$851.0 million over the Chapter 781 base budget. The majority of these adjustments reflect the reforecast of nongeneral fund transportation revenues – both in August and December 2009 – which mirror the reductions in general fund revenues as a result of the current recession. Included in this reduction is \$519.0 million that had been appropriated for the Dulles Corridor Metrorail Project. With the transfer of the project to the Metropolitan Washington Airports Authority, these amounts are no longer included in DRPT's budget. Exclusive of this accounting transfer, the net biennial reduction totals \$332.0 million NGF.

Capital Outlay. The adopted capital outlay program for the 2010 Session totals \$1,972.6 million (all funds). The general fund appropriations in the budget bills contain \$1,265.0 million for projects to be funded directly by the general fund or by general fund supported bonds issued by the Virginia Public Building Authority (VPBA) and the Virginia College Building Authority (VCBA). Of this amount, \$0.9 million is supported by general fund cash (HB 29) and \$1,264.1 million supported by VCBA and VPBA bonds (HB 30). Restrictive language would limit the ability of the bond projects to move forward at the beginning of the biennium, subject to the development of a plan by the Secretary of Finance. This plan will recommend debt issuance that maintains debt capacity at or under levels identified by the most recent Debt Capacity Advisory Committee report.

All of the \$707.6 million for projects to be supported from nongeneral fund sources are found in the budget bills, \$84.5 million for FY 2010 in HB 29 and \$623.1 million in HB 30. Of this amount, \$259.0 million is to be funded directly with nongeneral fund cash, an additional \$206.9 million in 9(c) bond authority, and \$241.7 million in 9(d) bond authority for auxiliary enterprise and other nongeneral fund revenue-supported projects at the colleges and universities.