

# Process for Addressing the Revenue Reductions in Fiscal Year 2008

# Actions Have Been Taken to Address the Revenue Shortfall For Several Months

- May 21 – Governor advised agencies of likely revenue shortfall and suggested they avoid discretionary spending and carry forward such savings to Fiscal Year 2008
- June 1 – Agencies identified an aggregate \$66 million in savings from Fiscal Year 2007 to carry forward to Fiscal Year 2008
- June 13 – Governor convened a meeting of the Governor’s Advisory Board of Economists
- July 16 – Governor convened a special meeting of housing industry experts to gain a better understanding of the outlook for Virginia
- July 25 – Governor convened a meeting of the Governor’s Advisory Council on Revenue Estimates
- August 20 – Governor presented revised revenue forecast and announced that Secretaries will be required to achieve general fund savings of approximately five percent in their respective secretarial areas

# Actions to Address the Revenue Shortfall Are Ongoing

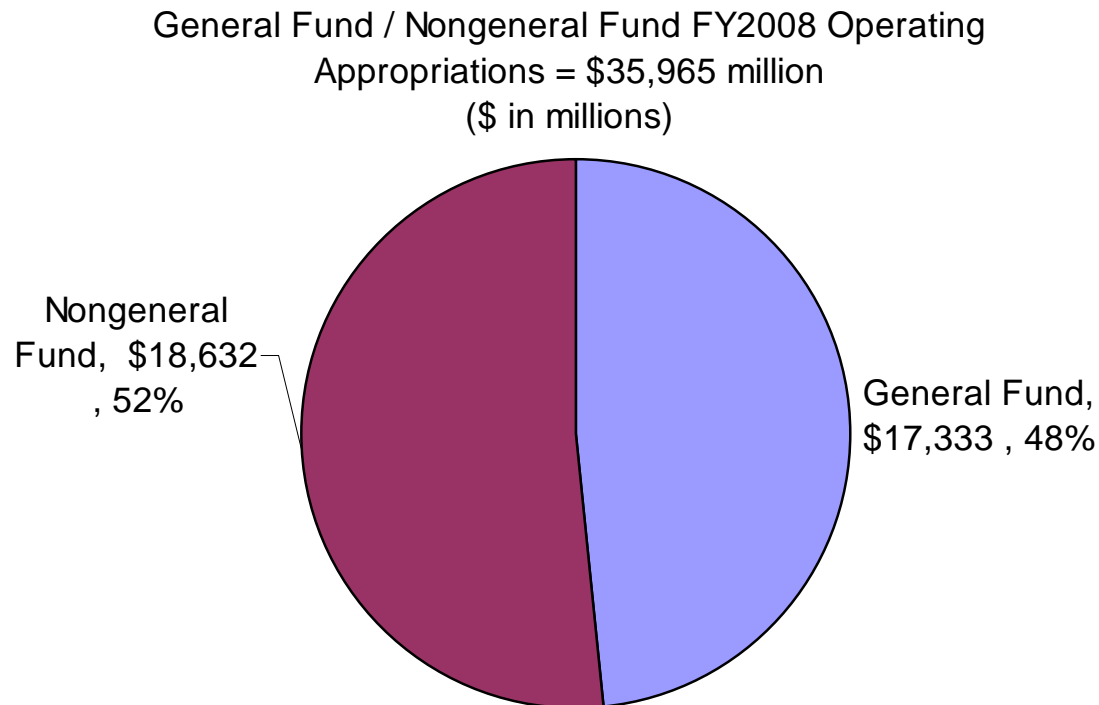
- August 20 through September 13 – Secretaries met with agencies to develop strategies for achieving reductions
- September 13 – Secretaries submitted reduction plans by agency to the Department of Planning and Budget
- September 14 through Early October – Governor will review plans and meet with Secretaries and agencies as needed to develop his approved reduction strategies
- Late September or Early October – Governor will meet with money committee leadership to discuss plans for budget reductions
- Early October – Governor will announce the final reduction plan. At the same time, the Governor will deliver to the Chairmen of the House Appropriations and Senate Finance Committees copies of the agency-based plans proposed by each Secretary

# What Actions Can be Taken to Address the Revenue Shortfall

1. Agency-based budget reductions
2. Carryforward of unexpended appropriations from the prior year
3. Restructure or reduce capital appropriations
4. Transfer funds from the Revenue Stabilization Fund (if trigger is met)

# How Does the Budget Reduction Process Work?

# Reductions Must Come From General Fund Programs – The Starting Point Is Less Than Half of the Operating Budget

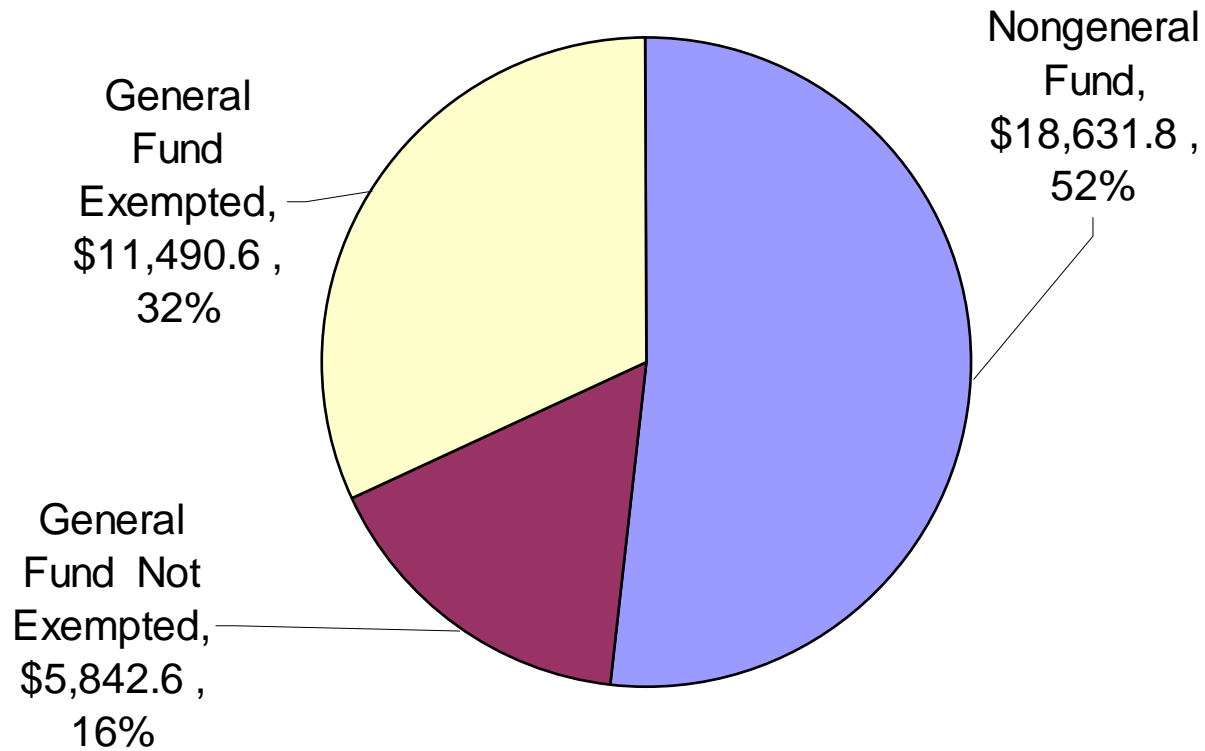


# Five Percent Required Reductions Are Not Across-the-Board Cuts

- Much of the general fund appropriations are exempted from reductions
  - Examples include:
    - Standards of Quality
    - Debt Service
    - Medicaid
    - Rent payments
    - Prison security and inmate medical services
- Secretaries were not required to apply the reductions evenly to their agencies

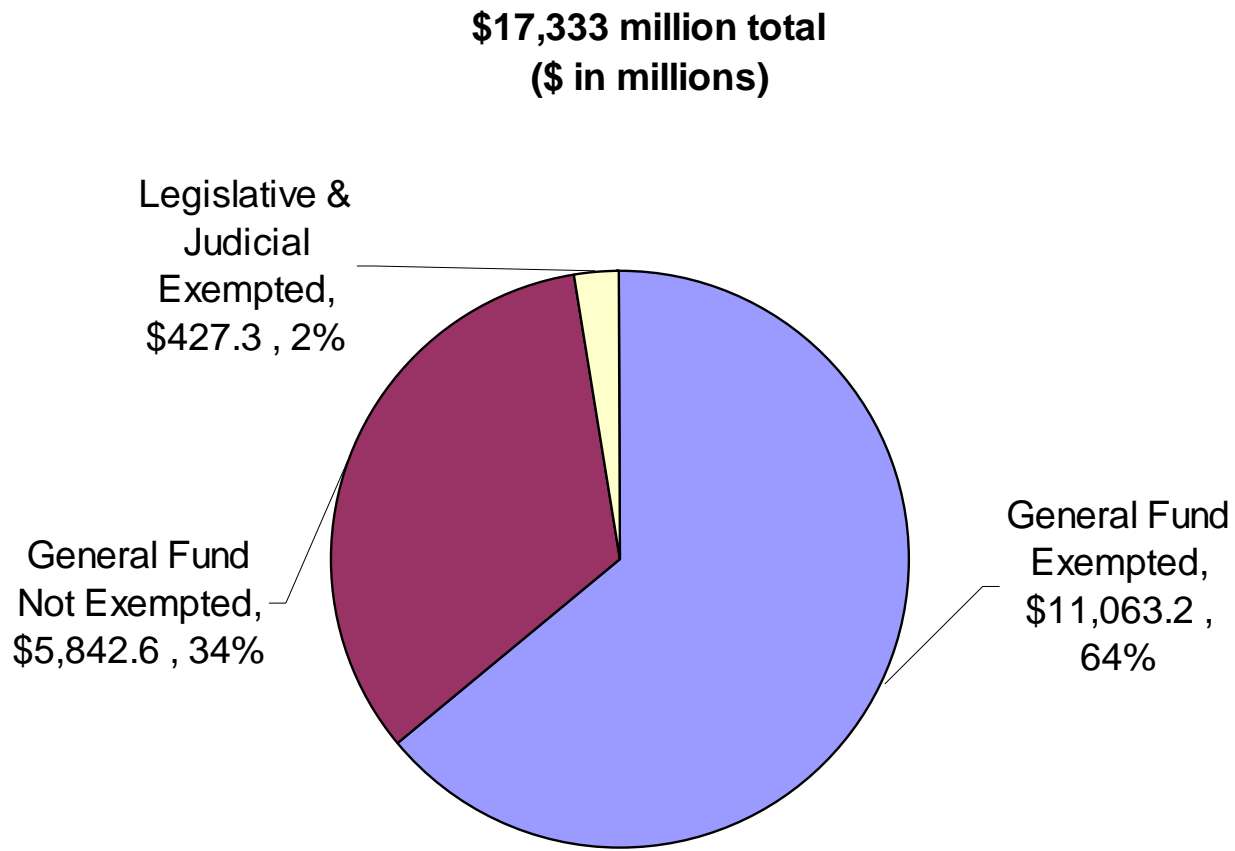
# 84 Percent of the Budget Is Not Available to Address a General Fund Shortfall

**\$ in millions**

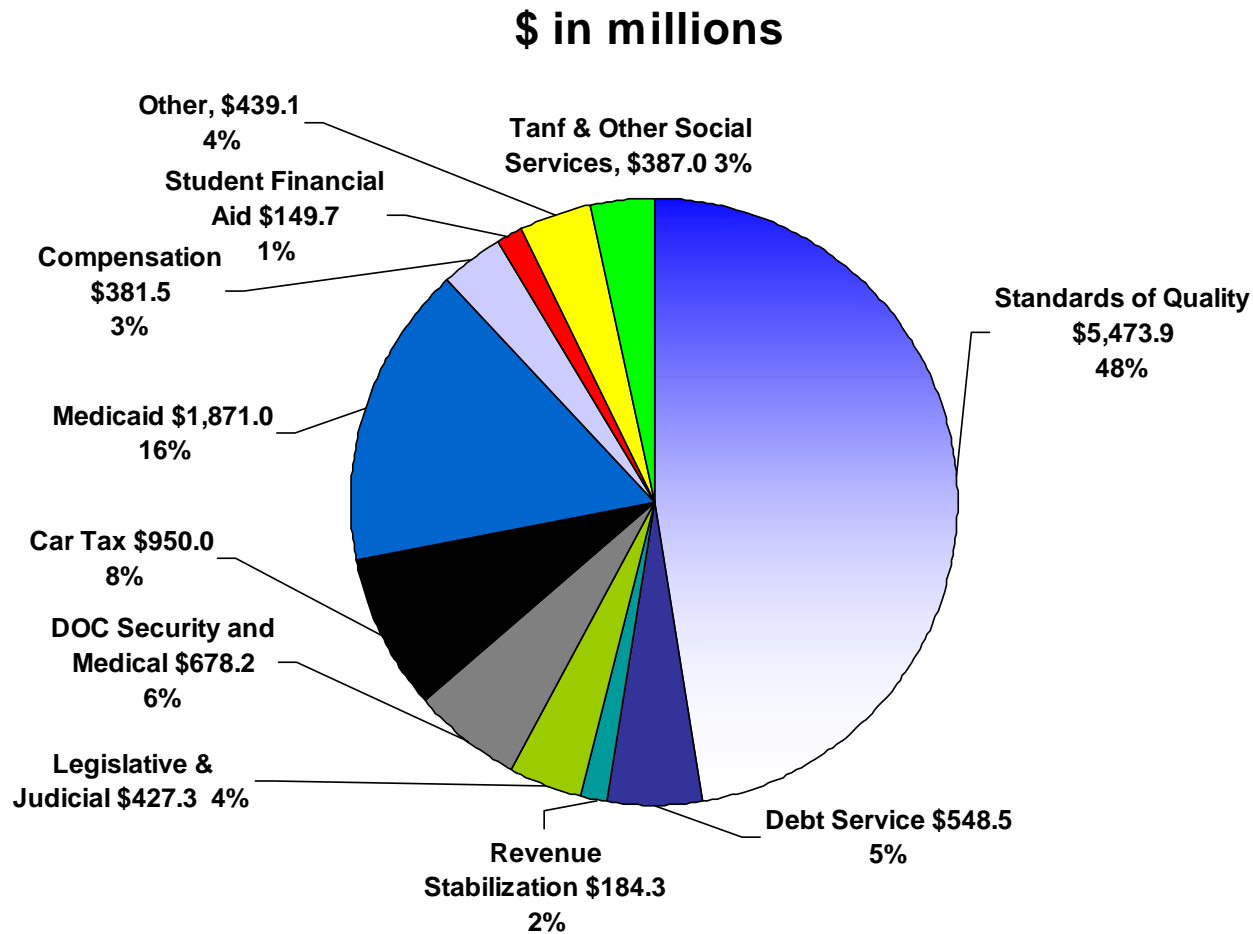




# Within General Fund Programs, Nearly Two-Thirds of the Appropriations are Exempt From the Budget Reductions

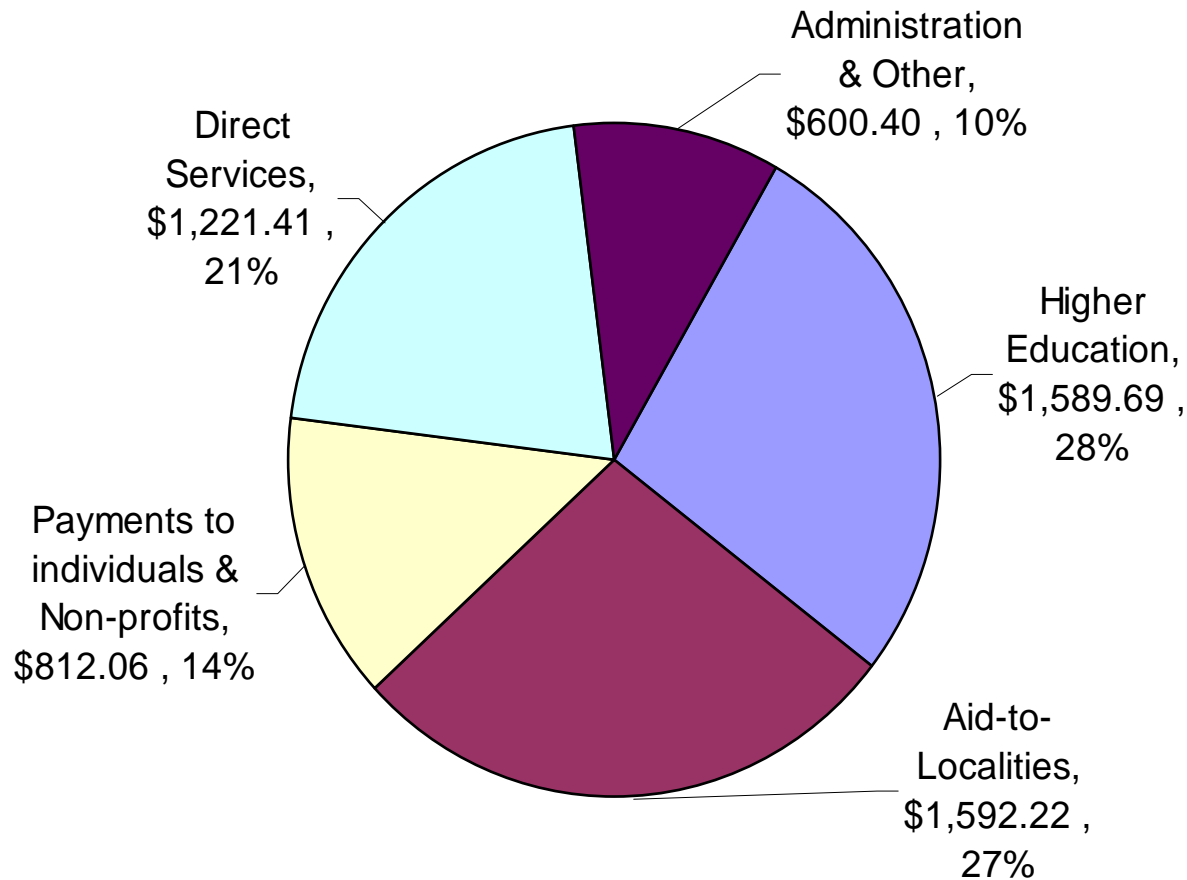


# Exempted Appropriations Total \$11.5 billion



# Appropriations That Are Available for Budget Reductions - \$5.8 billion

\$ in millions



# What You Can Expect to See in the Reduction Plan

Note: The Governor has not made any decisions at this time. He is reviewing the proposed actions.

- Examples of good government
  - Efficiency actions
  - Productivity enhancements
  - Renegotiation of contracts
- Creative approaches
  - Use of technology
  - Agencies combining resources
    - use of service bureaus
    - reduced real estate costs

# What You Can Expect to See in the Reduction Plan – *continued*

- Creative approaches – *continued*
  - Workforce and duty realignments
  - Bring outsourced services in-house
- Impacts to programs and services
  - Reductions in staff training
  - Instituting or increasing fees
  - Some layoffs are likely
  - Frequency of regulatory inspections may be reduced
  - Some agencies have not grown much after the budget reductions in 2003

# Additional Actions Under Consideration to Close the Revenue Gap

- Carryforward of unexpended balances from the prior fiscal year
- Restructuring the current appropriations for capital outlay
- Potential use of the Revenue Stabilization Fund – the trigger has been met and the fund may be used in fiscal year 2008

# What Can We Use the Revenue Stabilization Fund For?

- |   |     |
|---|-----|
| 1. A shortfall in current enacted budget                                | YES |
| 2. A projected severe downturn or recession in economy in next biennium | NO  |
| 3. An emergency situation (i.e. natural disaster or terrorist attack)   | NO  |

# Even With a FY2008 Withdrawal, the Fund Will Still Reach Its Highest Balance Ever by the End of the Next Biennium

## Revenue Stabilization Fund

