

## Proposed Amendments for the 2006-08 Budget

HB/SB 29 recognizes a reduction of \$528.3 million in general fund resources available for appropriation in the 2006-08 biennium when compared to the amount assumed in Chapter 847, as adopted by the 2007 General Assembly. This amount includes: (1) a reduction in balances available of \$100.9 million, (2) a reduction in the general fund revenue forecast of \$345.1 million, and (3) a reduction in transfers of \$82.3 million. This reduction in resources is partially offset by a proposed withdrawal from the Revenue Stabilization Fund of \$261.1 million. These changes, combined with the \$6.0 million unappropriated balance from the 2007 Session, leave a resource shortfall of \$261.2 million to be addressed in the proposed budget.

HB/SB 29 proposes increased spending of \$173.5 million, offset with \$463.6 million in reductions for a net reduction of \$290.1 million, leaving a total of \$28.9 million to be carried forward into the next biennium as a beginning balance in HB/SB 30. The \$463.6 million in reductions includes a proposed Reversion Clearing Account in Central Appropriations totaling \$272.0 million to reflect reductions announced by the Governor in October 2007.

<b>Reduction in General Fund Resources Available for Appropriation FY 2008</b> (\$ in millions)			
	<b>Original Amount</b>	<b>Revised Amount</b>	<b>Difference</b>
Net Adjustment to Balances	\$<0.1	(\$100.9)	(\$100.9)
Official Revenue Estimates	16,432.4	16,087.3	(345.1)
Lottery Proceeds & Transfers	<u>888.6</u>	<u>806.3</u>	<u>(82.3)</u>
<b>Revised GF Revenues</b>	<b>\$17,321.0</b>	<b>\$16,792.7</b>	<b>(\$528.3)</b>
<b>Plus:</b> Unobligated Balance (Ch. 847)			\$6.0
Proposed Withdrawal from Rainy Day Fund			<u>261.1</u>
<b>Available GF Resources</b>			<b>(\$261.3)</b>
Proposed New Spending in HB/SB 29			\$173.5
Less: Budget Reductions			<u>(463.6)</u>
			<b>(\$290.1)</b>
<b>HB/SB 29 Carry Forward Balance</b>			<b>\$28.9</b>

Proposed new general fund spending includes \$54.3 million for Comprehensive Services for At-Risk Youth and Families, \$50.0 million for capital outlay Maintenance Reserve, \$26.6 million in Compensation Board costs, and \$15.0 million for the Criminal Fund. Reductions in

general fund spending include \$271.9 million in planned budget reductions, \$69.5 million in savings from a reduction in the required Rainy Day Fund deposit, savings of \$54.4 million in K-12 public education due to slower growth in Average Daily Membership (ADM) and sales tax revenues, savings of \$49.7 million in lower Medicaid utilization and inflation, and a reduction of \$13.2 million in the Virginia Health Care Fund (which supports Medicaid) due to increased Medicaid recoveries.

**Changes in the Balance**

HB/SB 29, as introduced, assumes a net reduction of \$100.9 million in the balance that is available to apply toward FY 2008 expenditures (Chapter 847 had assumed that \$326.3 million would be available at the end of FY 2007 for appropriation in FY 2008).

Balance adjustments reflect technical changes that are routinely required to restate the Comptroller’s year-end report and the proposed disposition of FY 2007 unspent balances. The proposed reappropriation of unspent balances includes: \$854.6 million for active capital projects; \$113.0 million for mandatory carryforwards (Legislative, Judicial and certain Executive balances, i.e., \$20.2 million for the economic contingency account and higher education student financial assistance); and \$50.3 million in discretionary balances. Operating balances proposed to be carried forward include \$65.3 million generated by agencies in FY 2007 for the purpose of cushioning the effect of required budget cuts. The proposed reappropriation of unspent balances also includes \$500.0 million earmarked for transportation; however, HB/SB 30 includes a proposal to withhold \$180.0 million of this amount in FY 2009 and reappropriate it in FY 2010. After accounting for all proposed reappropriations of unspent balances, a total of \$96.0 million in unspent balances would revert to help offset the FY 2007 revenue shortfall.

<b>Adjustments to Balances</b> (\$ in millions)	
Comptroller’s GF Balance at 6/30/2007	\$1,530.3
Less: Balance Anticipated in Chapter 847	<u>326.3</u>
<b>FY 2007 Remaining Balance</b>	<b>\$1,204.0</b>
<b>Changes to Balance:</b>	
Technical: Add FY 08 Rainy Day Fund	\$119.1
Technical: Add FY 08 payroll reserve	87.2
Technical: Move appropriation from 2nd year	8.7
Unanticipated Lottery profits	28.6
Natural Disaster match authorized	(30.3)
Reappropriation of capital balances	(854.6)
Reappropriation of operating balances	(163.3)
Reappropriation of GF’s for transportation	(500.0)
Federal audit of Internal Svc Fund/cash management	<u>(0.3)</u>
<b>Total</b>	<b>(\$100.9)</b>

## Changes in Revenue

FY 2007 ended with a general fund revenue shortfall of \$234.4 million. The largest components of the shortfall were an underestimation of the impact of tax policy changes, resulting in higher than anticipated use of the land preservation tax credit and the low income tax credit; and a miscalculation of general fund interest earnings. The ripple effect of this shortfall continued into FY 2008, along with the assumption that housing-related weakness in the economy will continue, produces a downward revision of \$345.1 million to the FY 2008 GF revenue forecast.

<b>Changes in GF Revenue</b> (\$ in millions)	
	<u><b>FY 2008</b></u>
Individual Income Tax	(\$ 94.2)
Corporate	(47.0)
Sales Tax	(119.1)
Recordation	(34.6)
Insurance Premiums	(7.7)
Other Revenue	<u>(42.5)</u>
<b>Total Changes</b>	<b>(\$345.1)</b>

The projected FY 2008 general fund growth rate is 3.3 percent (3.6 percent economic growth, excluding the effect of the estate tax elimination). Actual performance through November is shown below.

<b>Estimate of General Fund Taxes By Source FY 2008</b> (\$ in millions)			
	<b>December Forecast</b>		<b>YTD thru Nov., 2007</b>
	<u><b>FY 08</b></u>	<u><b>% Growth</b></u>	<u><b>% Growth</b></u>
Net Individual	\$10,421.1	6.5%	6.8%
Corporate	747.9	(15.0)%	(26.7%)
Sales	3,136.0	2.8%	2.8%
Recordation	520.3	(10.7)%	(15.3%)
Insurance	403.4	4.8%	5.8%
All Other	<u>858.6</u>	(2.6)%	11.7%
<b>Total Revenues</b>	<b>\$16,087.3</b>	<b>3.3%</b>	<b>3.6%</b>
<p><i>*Note: Growth through November, 2007 would be 3.2 percent, if interest earnings for October and November that will be transferred in January are excluded from GF revenue.</i></p>			

## Changes in Transfers

HB/SB 29 assumes a lottery profit increase for FY 2008 of \$47.8 million and increased ABC profits of \$5.2 million, based on actual performance in FY 2007. The introduced bill also reflects the loss of a projected transfer to the general fund of \$120.4 million from the Revenue Stabilization Fund, as a refund of the amount deposited in excess of the Constitutional cap. With the proposed withdrawal of \$261.1 million from the Fund, the cap will no longer be exceeded.

<b>Changes in Transfers</b> (\$ in millions)	
	<u>FY 2008</u>
Increased Lottery profits	\$ 47.8
Increased ABC profits	5.2
¼ percent Sales Tax to K-12	(6.3)
Refund from RDF	(120.4)
Delay sale of ABC office	(15.0)
Eliminate VITA savings	(3.4)
Capture NGF balances (Oct. plan: State Pol/DJJ/DCJS)	4.3
IDEA Fund interest	1.4
Court debt collections	2.1
Inc. Vital Records Fee (Oct. plan)	.9
Miscellaneous other	<u>1.1</u>
<b>Total Changes</b>	<b>(\$82.3)</b>

## Legislative

No actions in HB/SB 29.

## Judicial

- **Supreme Court of Virginia**
  - *Criminal Fund.* Includes \$15.0 million GF for FY 2008 to cover projected expenditures from the Criminal Fund, of which \$3.5 million is needed to backfill FY 2008 funds that were transferred to cover an FY 2007 shortfall.

## Executive

- **Division of Debt Collection**
  - *Transfer of Collections.* Eliminates the requirement to transfer \$1.3 million each year to the general fund from debt collected on behalf of state agencies. Beginning with the 2004 Appropriations Act, the division has been required to transfer up to 40 percent of the funds it collects on behalf of agencies. This requirement has caused agencies to seek exemptions or find alternative ways to collect debt. As a result, the division has not been able to meet this requirement. Eliminating the transfer requirement is intended to encourage more agencies to utilize the division's services.

## Public Education

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

- *Technical Adjustments to Ch. 847 Based on Enrollment Projections, Sales Tax Revenue Projections, and Participation.*

<b>K-12 Technical Adjustments</b>	<b>FY 2008</b> (\$ in millions)
<b>Enrollment</b> - Updates indicate slower growth in Spring Average Daily Membership (ADM) and Fall Membership than projected in Ch. 847	(\$31.6)
<b>Sales Tax Revenue</b> - Updates indicate slower growth than projected in Ch. 847	(17.8)
<b>Virginia Preschool Initiative</b> - Participation updates indicate more savings than projected. (Reserves up to \$1.7m for a 2 <sup>nd</sup> round of one-time start-up/expansion grants).	(3.6)
<b>Education for a Lifetime programs</b> - Participation updates	(1.8)
<b>Governor's Schools</b> - Participation updates	(0.6)
<b>Remedial Summer School</b> - Participation updates	(0.5)
<b>Special Education Homebound</b> - Participation updates	(0.5)
<b>Incentive and Categorical programs</b> - Other updates	<u>2.0</u>
<b>Total</b>	<b>(\$54.4)</b>

- *Projected Lottery Proceeds.* Language directs 100 percent of additional Lottery proceeds for FY 2007 (actual) and FY 2008 (projected) totaling \$76.4 million toward supporting FY 2008 Standards of Quality (SOQ) Basic Aid costs. (Typically, about 60 percent of Lottery proceeds support Basic Aid costs, while the remainder is distributed to localities on the basis of enrollment and composite index. These optional funds require a local match and at least half of the funds must be used for non-recurring purposes.)
- *Governor's October 2007 Budget Reductions.* Reduces funding by \$8.8 million GF the second year as a result of the Governor's October reduction actions, including \$8.8 million GF supplanted by one-time Literary Fund dollars, a \$5,000 reduction to the Southside Virginia Regional Technology Consortium, a \$2,500 reduction to the Virginia Career Education Foundation, and a \$2,500 reduction to the Virginia Educational Technology Alliance.

- *Literary Fund.* Consistent with the October budget reductions, which dealt only with general fund actions, recognizes \$8.8 million NGF available on a one-time basis from the Literary Fund to offset a portion of the teacher retirement costs.

- **Department of Education**

- *National Board Teacher Certification Bonuses.* Adds \$404,125 GF to address the 13.8 percent shortfall in FY 2008 based on actual number of eligible teachers. Based on final Fall 2007 data, 220 teachers were eligible for initial awards of \$5,000 each and 734 were eligible for continuing awards of \$2,500 each for revised total funding of \$2.9 million.
- *Governor's October 2007 Budget Reductions.* Reduces funding by \$978,060 GF the second year as a result of the Governor's October reduction actions, including \$280,971 from terminating the turnaround specialist contract; \$281,250 by charging 25 percent of the agency's technology costs to nongeneral funds; \$120,606 by funding two technology assessment positions with federal dollars; \$144,031 by funding three positions with federal funds; \$89,637 by eliminating a vacant position; and \$41,765 by reducing office expenses.

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

- *Governor's October 2007 Budget Reductions.* Reduces funding by \$158,974 GF the second year as a result of the Governor's October reduction actions by reducing the number of computers and eliminating four vacant hourly positions.

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

- *Accessibility.* Adds \$50,000 GF to address immediate accessibility needs in Staunton prior to the transfer of multi-disabled students from the Hampton campus beginning in the Fall of 2008.
- *Governor's October 2007 Budget Reductions.* Reduces funding by \$48,000 GF the second year as a result of the Governor's October reduction actions to cover the cost of two residential positions with nongeneral funds.

## Higher Education

- **Public Colleges and Universities**

- *Governor's October 2007 Budget Reductions.* Includes reductions ranging from about 5.0 percent (for institutions below 100 percent of base guidelines) to 6.25 percent (for Level III institutions and institutions at or above 100 percent of base

guidelines) for a GF savings of \$81.9 million. Within this series of reductions are several major categories of savings, including:

- Reductions in personnel for a savings of \$28.8 million;
- Implementation of business practices and efficiencies for a savings of \$7.3 million;
- Reductions in discretionary expenditures of \$26.5 million; and,
- Elimination or reduction of current services by \$12.4 million.

## Other Education

- **Library of Virginia**

- *Governor's October 2007 Budget Reductions.* Reduces funding by \$1.2 million GF the second year as a result of the Governor's October reduction actions, including \$719,943 by reducing state aid for public libraries; \$350,510 by reducing purchases of books and other library materials; and \$75,000 by reducing the number of databases available for users in Find It Virginia.
- *Rent.* Reinstates \$34,099 GF for rent that had been removed in error.

- **Jamestown-Yorktown Foundation**

- *Governor's October 2007 Budget Reductions.* Reduces funding by \$410,040 GF the second year as a result of the Governor's October reduction actions, including \$140,180 by reducing wage funds for interpretation; \$71,528 by limiting outreach programming; \$38,974 by reducing marketing; \$28,900 GF by delaying equipment replacement; and \$21,956 by decreasing the frequency of daily maintenance.

- **Virginia Commission for the Arts**

- *Governor's October 2007 Budget Reductions.* Reduces funding by \$191,220 GF the second year as a result of the Governor's October reduction actions, including \$72,220 from unclaimed grant funds; \$52,000 by eliminating special initiatives for artistic and cultural organizations; and \$36,000 by deferring payment of annual dues to Mid-Atlantic Arts Foundation from June to July.



# Agriculture and Forestry

No actions in HB/SB 29.

## Commerce and Trade

- **Department of Housing and Community Development**
  - *Mortgage Counseling Assistance.* Proposed amendments include \$750,000 GF in the second year to provide training and assistance to counselors specializing in foreclosure prevention, loss mitigation and consumer rights under existing mortgage lending laws and regulations. These funds may be used for grants to nonprofit organizations to support new or expanded foreclosure prevention counseling services targeted to areas of the state and populations at greatest risk.
- **Department of Labor and Industry**
  - *Correct Fund Split for Central Appropriations Amounts.* Proposes \$283,000 GF in the second year for a shortfall resulting from an incorrect fund split between general and nongeneral funds in the agency's Central Appropriations distributions.

## Administration

- **Compensation Board**
  - *Per Diem Payments to Local and Regional Jails.* Proposes an additional \$14.9 million GF the second year to compensate local governments for the cost of housing inmates in local jails based on the per day rate.
  - *Constitutional Officers' VRS Shortfall.* Proposes an additional \$12.3 million GF in the second year to cover a shortfall in the amount budgeted for constitutional officers' VRS retirement contributions. Funding for these costs was omitted from the calculation of the 2006-2008 salary increases. The FY 2007 shortfall of \$4.8 million was addressed by an administrative transfer from FY 2008 to FY 2007, bringing the total shortfall in FY 2008 to \$12.5 million (replace \$4.8 million + \$7.5 million FY 2008 shortfall).

- *Staff Riverside Regional Jail Expansion.* Proposes an additional \$0.4 million GF in the second year to staff additional jail space at the Riverside Regional Jail.
- **Department of General Services**
  - *Civil Rights Memorial.* Proposes \$135,000 GF to begin site work for the civil rights memorial to be located in Capitol Square.

## Finance

- **Department of Accounts Transfer Payments**
  - *Revenue Stabilization Fund Deposits.* The Constitution requires that a deposit be made to the Rainy Day Fund when the rate of growth for income and sales tax collections in a fiscal year exceeds the average growth rate for the prior six years. The required deposit is one half of the above average growth for the fiscal year, but the amount in the Fund cannot exceed a Constitutional cap. HB/SB 29 reduces the FY 2008 Rainy Day Fund appropriation by \$69.5 million to reflect a revised calculation of the Fund cap by the Auditor of Public Accounts.
- **Department of Taxation**
  - *Contractor Collector Fund.* The Tax Department is authorized to hire private collection agencies for the collection of delinquent accounts and to deposit proceeds into the Contractor Collector Special Fund for the purpose of paying collection fees. In recent years, administrative authority for expenditure from the Fund has been broadened to include oversight of the collection agencies, upgrade of collection systems and interfaces, and retention of experts to analyze receivables and collection techniques. HB/SB 29 proposes to further expand the authorized use of Contractor Collector Funds to include upgrading audit functions as well.
  - *Hampton Roads and Northern Virginia Regional Transportation Authorities.* Language authorizes and appropriates to the Tax Department the cost of administering sales tax collections authorized in HB 3202 of the 2007 Session for the two regional transportation authorities. The direct administrative cost would be deducted from sales tax collections..
- **Treasury Board**
  - *Adjust Debt Service Funding.* Reduces the general fund amounts required for debt service on outstanding obligations and issuances of currently authorized General Obligation, Virginia College Building Authority, and Virginia Public Building Authority bond projects by \$2.5 million in the second year. The

reductions reflect changes in the issuance of bonds, the amounts to be bonded, interest rate assumptions, and refunding and refinancing.

## Health and Human Resources

- **Comprehensive Services for At-Risk Youth and Families**

- *Mandatory Caseload and Cost Increases.* Adds \$54.3 million GF in FY 2008 to fully fund anticipated growth in the CSA program. Additional costs are being driven by growth in caseload and costs, as well as law and policy changes. Caseloads are estimated to increase in FY 2008 by 8 percent, compared to recent historical growth of about 3.8 percent. Costs are expected to increase by 12 percent in FY 2008, largely due to increases in costs for therapeutic foster care services, special education private day placements and residential treatment services.

Several changes in federal and state policies and laws have also contributed to growing costs in the program. Changes in the federal Deficit Reduction Act of 2005 have made it more difficult for children to qualify for the federally funded foster care program and eliminated federal Medicaid matching funds for most therapeutic foster care services provided to children and adolescents in the CSA program. These changes are estimated to have increased state costs from \$5.5 million up to about \$17.0 million annually.

Statutory changes enacted during the 2007 Session (SB 1332) required that mental health services be provided to children and adolescents who are at-risk of placement in the state's custody if treatment is not provided. The Joint Legislative Audit and Review Commission (JLARC) estimated in March 2007 that this change would increase the CSA caseload by 753 children at a cost estimated to be \$14.3 million in FY 2008. In addition, the JLARC review found that current CSA policy restricting foster care preventive services was not consistent with law. Recent policy changes to comply with CSA law appear to be contributing to additional costs in the program.

- **Department of Health**

- *Governor's October 2007 Budget Reductions.* Reduces \$6.3 million GF the second year as a result of the Governor's October reduction actions. In general, funding was reduced for community-based service providers, recently-funded initiatives, and areas where nongeneral fund resources were available.

- **Department of Medical Assistance Services**

- ***Medicaid Utilization and Inflation.*** Reduces \$49.7 million GF and \$46.3 million NGF from federal Medicaid matching funds as a result of lower than anticipated spending. Medicaid spending continues to slow, growing at a lower rate than in previous years and less than originally forecast. The current budget assumed Medicaid spending would grow 8.6 percent in FY 2007 while actual growth was less than 6 percent. New federal rules regarding the documentation of citizenship and identity for low-income children and families on Medicaid appear to have slowed enrollment growth. While enrollment is expected to pick up, it is not projected to grow at previously anticipated rates.
- ***FAMIS Utilization and Inflation.*** Adds \$1.4 million GF and \$2.5 million NGF from federal Medicaid matching funds to adjust funding for children and pregnant women eligible for health care services. Efforts in the past five years to expand health insurance coverage for children under 200 percent of the federal poverty level (\$34,340 for a family of three) continue to result in higher caseloads in FAMIS. New citizenship and identity requirements that appear to be dampening enrollment for children in Medicaid are having the opposite effect in FAMIS where the tighter regulations do not apply.
- ***Medicaid SCHIP Utilization and Inflation.*** Adds \$861,616 GF and \$1.6 million from federal matching funds in FY 2008 to fully fund anticipated enrollment growth and costs for children eligible for health care services under the Medicaid SCHIP program. Enrollment in the SCHIP is expected to continue rising but not at the same rate as in previous years; the same citizenship and identity requirements affecting the Medicaid caseload have apparently dampened enrollment in Medicaid SCHIP. Medicaid SCHIP provides health care services to children under 19 in families with incomes between 100 percent and 133 percent of poverty (\$22,836 for a family of three). The federal government matches Medicaid expenditures for these children at the same rate as that provided for the FAMIS program (about 65 percent).
- ***Reduce Funding for Involuntary Mental Commitments.*** Reduces \$1.3 million GF in FY 2008 reflecting recent data that indicates payments from the Involuntary Mental Commitment Fund will be less than currently budgeted. The fund pays for the cost of hospital and physician services for individuals who are subject to the involuntary mental health commitment process.
- ***Adjust Funding for the Virginia Health Care Fund.*** Reduces \$13.3 million GF and adds \$13.3 million NGF in FY 2008 as a result of higher than anticipated revenues to the Virginia Health Care Fund. Revenues to the fund are used as a portion of the state's match for the Medicaid program. A larger than anticipated balance in the fund as of June 30, 2007 as well as higher Medicaid recoveries permits a reduction in GF revenues.

- ***Governor’s October 2007 Budget Reductions.*** Reduces \$60.6 million GF the second year as a result of the Governor’s October reduction actions. The reduction is primarily related to lower payments for Medicaid managed care organizations but also includes new savings proposals related to moving disabled individuals from institutional settings and better management of pharmacy programs. Significant changes include:
  - ***Adjust Payments to Medicaid Managed Care Organizations (MCOs).*** Reduces \$60.1 million GF and \$60.1 million NGF from federal Medicaid revenues reflecting lower negotiated payment rates to Medicaid Managed Care Organizations. The budget assumed that MCO rates would increase by 7.0 percent from FY 2007 to FY 2008. The rate the Department negotiated with MCOs was actually 2.6 percent less than the rates paid in FY 2007, resulting in general fund savings that will continue in future years.
- ***Prior Authorization and Utilization Review of Community Mental Health Programs.*** Requires the department to implement prior authorization and utilization review of community-based mental health services for children and adults. This proposal increases Medicaid spending by \$208,612 GF and \$583,612 NGF in FY 2008, however, it results in annual savings of \$4.2 million GF beginning in FY 2009. Language is added providing the department with the authority to conduct these activities.
- **Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)**
  - ***Restore Operating Costs at Central Virginia Training Center (CVTC).*** Restores \$5.3 million NGF in FY 2008 for operating costs at CVTC that were estimated to decrease through census reduction efforts in preparation for rebuilding the facilities with a more efficient design. Restructuring efforts have failed to result in a decline in the number of individuals served by the facility and plans for facility replacement have not progressed as expected. The source of the nongeneral funds is additional revenue expected to be collected by the facilities from the Medicaid and Medicare programs.
  - ***Governor’s October 2007 Budget Reductions.*** Reduces \$16.9 million GF the second year as a result of the Governor’s October reduction actions. The proposed reductions are primarily related to federal revenue maximization efforts described below as well as effort to streamline agency and facility operations.
    - ***Maximize Federal Medicare Part D Revenues.*** Reduces \$9.8 million GF and provides \$9.8 million NGF in FY 2008 as a result of more individuals qualifying for prescription drugs through the federally-funded Medicare Part D program. Because more individuals than previously anticipated are qualifying for Medicare Part D, fewer state dollars are needed to provide pharmacy services to individuals residing in the community or state facilities. As a result, savings of \$5.0 million GF are projected in the

community resource (“aftercare”) pharmacy used by CSBs and savings of \$4.8 million GF is expected for state facilities.

- ***Maximize Federal Revenues for Inpatient Hospital Services.*** Reduces \$3.0 million GF and provides \$3.0 million NGF in FY 2008 from federal Medicare revenues reflecting more aggressive billing for inpatient hospital services. In order to maximize federal revenues, the Department will bill more medical services provided at state facilities to the Medicare Part B program.
- ***Adjust Appropriation for the Sexually Violent Predator (SVP) Program.*** Reduces \$1.6 million GF in FY 2008 to reflect lower caseload growth than previously anticipated in the SVP program. Civil commitments for inpatient services are down resulting in \$1.2 million GF savings. Additionally, fewer individuals are being placed on conditional release than expected resulting in \$350,000 GF savings.

- **Department of Social Services**

- ***Offset Loss of Federal Funds for Child Welfare Services.*** Adds \$3.9 million GF and reduces \$3.9 million NGF each year to reflect lower reimbursements from the federal government for child welfare services provided by local departments of social services. Federal authorities required the Department to resubmit a new cost allocation plan after the existing plan, originally approved in 1996, resulted in the disallowance of \$53 million in federal Title IV-E reimbursements for child welfare services in FY 2006. The Department’s cost allocation plan defines the share of federal and state spending for specific child welfare services and activities. Funding is necessary to maintain support for local staff that provides child welfare services to children and families.
- ***TANF for Child Care Services for At-risk, Low-income Families.*** Adds \$6.0 million NGF in FY 2008 from the federal Temporary Assistance to Needy Families (TANF) block grant to provide additional funding for child day care subsidies for low-income families. This additional funding will address about 22 percent of the waiting list for child day care subsidies.
- ***Governor’s October 2007 Budget Reductions.*** Reduces \$10.9 million GF the second year as a result of the Governor’s October reduction actions. The proposed reductions are primarily related to using federal TANF block grant dollars for previously funded general fund activities and adjusting appropriations to current spending levels for the General Relief and Auxiliary Grant Programs.
  - ***Substitute TANF for GF for Eligible Programs.*** Replaces \$5.1 million GF the second year with a like amount of federal TANF block grant funds for eligible programs and services. With the exception of the Fredericksburg Child Dental Clinic, similar actions for each of these programs are proposed in FY 2009 resulting in savings of \$9.8 million. Amendments to CSA and

the Health Department included in the proposed budget leverage federal TANF funds for eligible services because recent caseload declines have resulted in lower than expected of block grant dollars. Affected programs are listed below.

<b>Programs Receiving Federal TANF Funding in FY 2008</b>	
Healthy Families/Healthy Start	\$2,069,910
Community Action Agencies	\$1,698,930
Grants to Local Domestic Violence Programs	\$711,711
Centers for Employment and Training	\$318,750
Children’s Advocacy Centers	\$100,000
Domestic Awareness Campaign	\$63,750
St. Paul’s College	\$42,500
People Incorporated	\$21,250
United Community Ministries	\$19,125
Craig County Child Day Care Services	\$10,625
Fredericksburg Child Dental Clinic	\$5,000
<b>TOTAL</b>	<b>\$5.1 million</b>

- ***Reduce Funding for General Relief.*** Reduces funding by \$1.2 million GF the second year to reflect actual spending for the General Relief program that provides cash assistance and services to individuals with no or very little income. General Relief is voluntary program provided by localities that agree to match state funding. In FY 2007, some localities did not expend their full allocation resulting in unspent appropriations. The new general fund appropriation will be \$3.5 million each year.
- ***Caregivers Grant Program.*** Reduces \$500,000 GF the second year for the Virginia Caregivers Grant Program. Funding will be limited to \$500,000 GF a year. The program provides up to \$500 each year for a caregiver who has an annual income less than \$75,000 and who provides unreimbursed care for a person who is aged, infirm or disabled. Chapter 588, passed by the 2007 General Assembly, increased the income limit for a married caregiver to \$75,000 annually.

## Natural Resources

- **Department of Game and Inland Fisheries**
  - ***Reduction in General Fund Transfer.*** Language is included reducing total general fund support provided to the agency by \$1.3 million in the second year. The

reductions in the agency's general fund support are based on reductions in the estimated sales taxes collected on hunting, fishing, and wildlife-related equipment and reductions in the revenues derived from watercraft sales and use taxes. An accompanying entry in Part 3 of the introduced budget effects the change.

## Public Safety

- **Department of Alcoholic Beverage Control**
  - *Governor's October 2007 Budget Reductions.* Increases the level of transfers to the general fund by \$3.5 million, by recognizing the additional sales volume resulting from the expansion of store hours in certain locations, and by modifying the discount methodology for alcoholic beverages to increase the return to the Commonwealth.
- **Department of Corrections**
  - *Correctional Officer Compensation.* Provides \$1.1 million from the general fund for salary increases for FY 2008 to account for the growth in the number of employees added by opening new and expanded state correctional facilities.
  - *Governor's October 2007 Budget Reductions.* Includes a series of reductions, including for example:
    - Reduce equipment purchases for a one-time savings of \$3.6 million;
    - Delay the opening of Phase II at St. Brides Correctional Center in the City of Chesapeake, for a one-time savings of \$8.6 million;
    - Eliminate \$1.2 million in GF for site acquisition for the new prison in Charlotte County, based on the assumption that the site will be included in the financing for the overall project; and
    - Anticipates \$4.0 million NGF in contract revenues to be received from holding up to 500 federal or other non-state prisoners up to 1,000 federal or other non-state prisoners will be held during the 2008-2010 biennium.
- **Department of Criminal Justice Services**
  - *State Aid to Localities with Police Departments.* Reduces HB 599 funding by \$10.8 million from the general fund, or five percent.
- **Department of Emergency Management**



- *Transfer of Funds.* Adds language that clearly identifies the amount of funding already appropriated to the department’s hazardous materials training program from the Fire Programs Fund in the Department of Fire Programs.
- **Department of Forensic Science**
  - *Payments in Lieu of Taxes.* Provides \$218,643 from the general fund for FY 2008 for payments for the central laboratory in Richmond, which is now state-owned.
  - *Governor’s October 2007 Budget Reductions.* Includes a series of reductions, including reductions in payments to the Virginia Institute of Forensic Science and Medicine totaling \$752,225 GF through development of more cost-effective training strategies.
- **Department of Juvenile Justice**
  - *Governor’s October 2007 Budget Reductions.* Proposes a series of reductions, including a 2.5 percent reduction in state aid for the operation of local and regional juvenile detention homes, Virginia Juvenile Community Crime Control grants, and reimbursement of locally-operated court services units. These three reductions in state aid provide a combined savings of over \$1.2 million from the general fund.
- **Department of State Police**
  - *Increased Gasoline Costs.* Includes \$2.4 million from the general fund the second year for the increased cost of gasoline for state police vehicles.
  - *Governor’s October 2007 Budget Reductions.* Includes a series of reductions, including, for example:
    - Increases the mileage on state police vehicles before replacement to 130,000 miles, thereby reducing the number of vehicles to be purchased, for a savings of \$1.4 million from the general fund.
    - Delays the start of the 115<sup>th</sup> basic school for new state troopers that is currently scheduled to begin on February 25, 2008, for a savings of \$1.6 million from the general fund.
- **Department of Veterans Services**
  - *Start-up Loan for New Center.* Increases the amount of the anticipation loan by \$1.4 million due to a delay in opening the new Sitter-Barfoot Veterans Care Center in Richmond. The loan is required to cover ongoing expenses until nongeneral fund reimbursement is received to cover operating costs.

# Technology

No actions in HB/SB 29.

## Transportation

- **Department of Rail and Public Transportation**
  - *Increase Appropriation to Reflect November 2007 Revenue Estimate.* Increases the agency's appropriation by \$35.8 million NGF the second year to reflect the latest revenue estimates for the Transportation Trust Fund and federal funds and to reflect the November 2007 official revenue estimate.
  
- **Department of Transportation**
  - *Increase Appropriation to Reflect November 2007 Revenue Estimate.* Increases the agency's appropriation by \$325.5 million NGF the second year to reflect the latest revenue estimates for the Transportation Trust Fund and federal funds and to reflect the November 2007 official revenue estimate
  - *Contracts with Homeowner Associations.* Proposed language would authorize the Transportation Commissioner to enter into contracts with homeowner associations for grounds-keeping, mowing and litter removal services.
  - *2007 Transportation Initiative.* The Governor's proposed amendments include language that allows the transfer of general funds to projects included in the 2007 Transportation Initiative only as necessary to meet required expenditures within FY 2008. This language accompanies a proposal in HB/SB 30 to revert \$180.0 million GF from transportation in FY 2009 to fund other general fund expenditures. HB/SB 30 assumes these amounts would be reappropriated to transportation in fiscal year 2010.
  
- **Virginia Port Authority**
  - *Reconstruction and Expansion of Norfolk International Terminal and Portsmouth Marine Terminal.* Authorizes the Authority to issue up to \$93.0 million in additional bonds for the purposes of continuing ongoing capital projects for reconstruction and expansion of Norfolk International Terminal and Portsmouth Marine Terminal and provides \$250,000 NGF in the second year for related debt service payments.

- ***Governor’s October 2007 Budget Reductions.*** Reduces \$50,000 GF the second year as a result of the Governor’s October reduction actions. The reduction comes from general funds provided for payments in lieu of taxes to localities that host port facilities.

## Central Appropriations

- **Reversion Clearing Account**
  - ***Governor’s October 2007 Budget Reductions.*** Proposes a \$272.0 million GF reduction and related language to capture budget reductions announced by the Governor in October 2007. A list of these reductions by agency is included below:

Agency Name	General Fund Reduction
Office of the Governor and Cabinet Offices	\$779,280
Office of the Attorney General and Department of Law	870,319
Department of Human Resource Management	260,550
State Board of Elections	546,431
Compensation Board	3,223,604
Human Rights Council	19,629
Department of Charitable Gaming	133,541
Department of General Services	1,120,993
Department of Minority Business Enterprise	37,491
Department of Employment Dispute Resolution	53,789
Department of Agriculture and Consumer Services	1,381,079
Department of Forestry	853,184
Department of Housing and Community Development	1,205,939
Department of Labor and Industry	256,000
Virginia Employment Commission	82,167
Virginia Economic Development Partnership	802,396
Virginia Tourism Authority	867,513
Department of Business Assistance	515,352
Department of Mines, Minerals and Energy	185,936
The Science Museum of Virginia	165,014
Virginia Commission For the Arts	191,220
Direct Aid to Public Education	8,815,595
Department Of Education, Central Office Operations	978,060
The Library of Virginia	1,244,481
The College of William and Mary in Virginia	3,032,163
University of Virginia	9,557,710
Virginia Polytechnic Institute and State University	10,699,993

Agency Name	General Fund Reduction
Virginia Military Institute	981,362
Virginia State University	1,243,355
Norfolk State University	2,027,454
Longwood University	1,669,511
University of Mary Washington	1,463,234
James Madison University	4,781,540
Radford University	\$2,433,385
Virginia School For the Deaf and the Blind At Staunton	48,000
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	158,974
Old Dominion University	5,649,366
VPI Cooperative Extension and Agricultural Experiment Station	2,437,555
VSU Cooperative Extension and Agricultural Research Services	23,563
Virginia Commonwealth University	9,673,450
Virginia Museum of Fine Arts	363,735
Frontier Culture Museum of Virginia	51,612
Richard Bland College	291,936
Christopher Newport University	1,369,720
State Council of Higher Education For Virginia	157,730
University of Virginia's College at Wise	950,325
George Mason University	6,957,313
Virginia Community College System	19,097,478
Virginia Institute of Marine Science	1,012,743
Eastern Virginia Medical School	616,010
Jamestown 2007	20,272
Gunston Hall	22,068
Jamestown-Yorktown Foundation	410,040
Institute for Advanced Learning and Research	311,083
Roanoke Higher Education Authority	38,610
Jefferson Science Associates, LLC	79,112
Southern Virginia Higher Education Center	43,004
New College Institute	37,500
Southwest Virginia Higher Education Center	60,475
Higher Education Research Initiative	159,000
Department of Planning and Budget	410,042
Department of Accounts	201,957
Department of the Treasury	442,000
Department of Taxation	4,396,322
Department for the Aging	709,441
Comprehensive Services For At-Risk Youth and Families	478,911
Woodrow Wilson Rehabilitation Center	334,978
Department of Rehabilitative Services	1,319,543
Department of Health	6,346,784
Department of Medical Assistance Services	60,610,769
Virginia Board for People with Disabilities	16,320
Department For the Blind and Vision Impaired	346,875
Department of Mental Health, Mental Retardation and Substance Abuse	561,018

Agency Name	General Fund Reduction
Services	
Department for the Deaf and Hard-of-Hearing	68,927
Department of Social Services	\$8,318,308
Mental Health Treatment Centers	11,592,350
Mental Retardation Training Centers	3,310,694
Virginia Center for Behavioral Rehabilitation	1,398,185
Department of Conservation and Recreation	2,248,750
Marine Resources Commission	753,722
Department of Historic Resources	70,005
Department of Environmental Quality	2,237,487
Department of Military Affairs	413,000
Department of Emergency Management	462,000
Department of Criminal Justice Services	11,476,485
Department of State Police	5,037,900
Department of Correctional Education	1,900,000
Department of Juvenile Justice	6,297,899
Department of Forensic Science	1,693,100
Department of Corrections	18,930,000
Department of Veterans Services	288,236
Commonwealth's Attorneys' Services Council	35,000
Virginia Information Technologies Agency	127,065
Innovative Technology Authority	312,000
Virginia Port Authority	50,000
Department of Aviation	2,203
Central Appropriations	1,650,000
State Grants To Nonstate Entities	1,260,443
Central Capital Outlay	3,335,500
<b>Total</b>	<b>\$271,964,163</b>

- **Higher Education**

- *Higher Education Interest and Charge Card Rebates.* Proposes an additional \$4.7 million GF in the second year to pay institutions of higher education interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases. This action would bring the total appropriated for this purpose in FY 2008 to \$17.4 million GF.

- **Economic Contingency**

- *VITA Savings.* Proposes \$4.9 million GF to forgive savings that had been projected to accrue from creation of the Virginia Information Technologies Agency (VITA).

- *VITA Rates.* Recommends \$4.7 million for the general fund share of increases in the rates charged by VITA under the Northrop Grumman contract for the provision of information technology services.
- *Governor's Development Opportunity Fund.* Proposes an additional \$1.5 million GF for the Governor's Development Opportunity Fund. This action would bring the total appropriated for the fund to \$16.6 million GF for the biennium.

## Independent Agencies

No actions in HB/SB 29.

## Nonstate Agencies

The Governor's proposed amendments reduce funding for grants to nonstate agencies by \$1.2 million GF the second year as a result of the Governor's October reduction actions. A 5 percent reduction was applied across the board and all grantees were requested to return the funding if it had already been provided. As of December 18, 2007, all but \$62,000 had been returned.

## Capital Outlay

- **Department of General Services**
  - *Capitol Square Stairs.* Provides \$0.6 million NGF to complete steps between the Jefferson and Oliver Hill buildings.
  - *Energy Conservation Projects.* Provides \$0.2 million NGF for energy conservation projects at the seat of government.

- **Virginia Port Authority**
  - *Norfolk International Terminal-South.* Provides \$93.0 million from Virginia Port Authority bonds for renovations, improvements and land acquisition at the Norfolk International Terminal-South.
  
- **Central Capital Outlay**
  - *Maintenance Reserve.* Proposes an additional \$50.0 million GF in FY 2008 for maintenance reserve. When the amounts appropriated separately under the Office of Civil Rights agreement are included, this would bring the total maintenance reserve amount available to \$125.0 million GF.