

# Overview of Proposed Amendments to the 2008-10 Budget

The budget as introduced includes savings strategies proposed by the Governor in October 2008 to address a projected revenue shortfall in FY 2009. Based on actual revenue collections in FY 2008, the Governor initiated a preliminary reforecast of general fund revenues for the 2008-10 biennium, resulting in a downward revision in general fund revenues by \$973.6 million in FY 2009 and \$1,540.1 million in FY 2010 announced in August 2008. At that time, state agencies were asked to submit budget reduction plans of 5, 10, and 15 percent for each year. For FY 2009, general fund budget reductions ranged from 5 to 15 percent. Programs such as K-12 public education and Medicaid were largely exempted from reductions in the first year of the budget.

The introduced budget assumes a further weakening of Virginia's economy based on input from the Governor's advisory board of economists and the Governor's advisory group of business leaders and legislative members during the months of November and December. With regard to the general fund revenue revisions, the Governor is recommending an additional downward adjustment of \$387.7 million for the remainder of the biennium, for a total general fund revenue reduction of \$2,901.4 million.

The downward revisions to general fund revenues of \$2,901.4 million, when combined with net spending requirements of about \$310.5 million, result in a total biennial budget shortfall of approximately \$3.2 billion. The Governor's proposed amendments to the 2008-10 budget (Chapter 879, 2008 Session) include five primary strategies for closing the budget shortfall:

- 1) A withdrawal in FY 2009 of \$490.0 million from the Revenue Stabilization Fund ("Rainy Day Fund");
- 2) Tax policy changes of about \$291.9 million, including \$154.9 million NGF from an increase in tobacco taxes to offset projected Medicaid expenses;
- 3) Across-the-board and targeted reductions to general fund agencies and programs totaling \$1,713.1 million, including \$242.3 million from eliminating the funded 2 percent pay increases;
- 4) Utilizing \$377.9 million in nongeneral fund balances and transferring other NGF sources to the general fund; and
- 5) Supplanting \$350 million of general fund capital projects with bonded debt.

## Proposed Actions to Close Budget Shortfall

	\$ in millions
Revenue Shortfall	\$2,901.4
Required Spending	<u>310.5</u>
<b>Total Budget Shortfall</b>	<b>\$3,211.9</b>
 <b>Actions to Balance Budget</b>	
Withdrawal from Rainy Day Fund	\$490.0
Tax Policy Changes	291.9
Transfers, Other Revenue Actions	182.9
Budget Reductions - October Plans	592.3
Targeted Reductions	878.5
Eliminate 2% Salary Increases	242.3
Supplant GF Capital with Debt	350.0
Balances, other actions	<u>195.0</u>
<b>Total Actions</b>	<b>\$3,222.9</b>
 <b>Balance</b>	 <b>\$11.0</b>

### Revenues

The reforecast submitted by the Governor in October lowered the general fund revenue estimate by \$973.6 million in FY 2009 and \$1.5 billion in FY 2010, for a biennial total of \$2.5 billion. The subsequent November reforecast lowered the biennial estimate by an additional \$387.7 million, bringing the total downward revision to \$2.9 billion, including transfers. Forecast revisions in the introduced budget are based generally on the Global Insight November standard economic outlook that anticipates a four-quarter recession, modified to reflect collections through the first five months of the fiscal year for payroll withholding, sales and recordation taxes. Individual nonwithholding and corporate tax collections were left unchanged from the October forecast revisions and will be reevaluated once the fourth quarter estimated payments are received.

The revenue growth rates assumed in HB 1600/SB 850 are -4.8 percent in FY 2009 and 4.0 percent in FY 2010. If existing and proposed tax policy changes are excluded, growth rates are -2.8 percent in FY 2009 and 3.0 percent in FY 2010.

A more complete overview of revenues, along with proposed tax policy changes which add \$291.9 million (inclusive of the \$154.1 million tobacco products tax proposal) in revenue are detailed in the Resource section of the summary.

## Spending Increases

The proposed budget includes new spending of about \$430.0 million GF, of which more than \$300.0 million is driven by federal and state mandates and caseload increases.

<b>Major General Fund Spending Increases Proposed in HB 1600 /SB 850 as Introduced (2008-10 biennium, \$ in millions)</b>	
<b>Judicial Department</b>	
<b>Circuit Courts</b>	
Additional Funding for the Criminal Fund	\$10.8
<b>General District Courts</b>	
Additional Funding for the Involuntary Civil Commitment Fund	\$1.2
<b>Administration</b>	
<b>Compensation Board</b>	
Fund Staff for New or Expanded Jails	\$2.5
<b>Department of Employee Dispute Resolution</b>	
Merge Department of Employee Dispute Resolution into DHRM	1.1
<b>Commerce and Trade</b>	
<b>Secretary of Commerce and Trade</b>	
Add Funding for Governor's Opportunity Fund	\$5.0
<b>Department of Housing and Community Development</b>	
Fort Monroe Federal Area Development Authority	\$1.6
<b>Department of Mines, Minerals and Energy</b>	
Fund New Clean Energy Manufacturing Incentive Grant	\$2.0
<b>Education</b>	
<b>Direct Aid to Public Education</b>	
Policy Changes for Sales Tax Revenues	\$9.2
Correct Special Education Child Count for Hanover County	6.8
Technical Update: 2008 Triennial School Census	4.6
<b>Higher Education</b>	
<b>Colleges and Universities</b>	
Provide Additional Student Financial Aid for 12 Institutions	\$25.9
Fund ODU Modeling & Simulation Continuation Costs	2.1
Include Program Enhancements at Longwood, VSU & VCCS	2.0
Provide Two-year College Transfer Grant Eligibility Increase	1.3
Increase Funding for UVA Health Insurance Premiums	1.1

**Major General Fund Spending Increases Proposed in  
HB 1600 /SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

**Other Education**

**Virginia Museum of Fine Arts**

Provide Operating Support for New Space \$2.0

**Finance**

**Department of Accounts**

Transfer Payments to Localities \$1.0

**Department of Taxation**

Fund Enhanced Compliance Initiative \$5.8

Relocate Offices to Main Street Center 2.1

**Department of the Treasury**

Increase Bank Services Fees \$1.5

**Treasury Board**

Provide Debt Service on Proposed New Debt \$20.7

Adjust Funding for Debt Service 3.5

**Health and Human Resources**

**Department of Medical Assistance Services**

Add Funding for Medicaid Utilization and Inflation\* \$268.4

Fund FAMIS Utilization and Inflation 8.4

Adjust Funding for the Virginia Health Care Fund 6.7

Fund SCHIP Utilization and Inflation 3.3

Add Resources for Involuntary Mental Health Commitments 1.8

Increase Consumer-Directed Personal Care Rates 1.7

**Department of Social Services**

Address Shortfall for Adoption Subsidy Payments \$2.4

Provide Funding for Virginia Food Banks 1.0

**Natural Resources**

**Department of Conservation and Recreation**

Add Funds for Natural Resources Commitment Fund \$10.0

Add Resources for Water Quality Improvement Fund (WQIF) –  
Non-Point Source 1.1

**Public Safety**

**Department of Corrections**

Increase Funding for Inmate Medical Costs \$3.1

**Major General Fund Spending Increases Proposed in  
HB 1600 / SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

<b>Department of Criminal Justice Services</b>	
Expand Existing Pre-Trial Services Programs	\$3.0
<b>Department of Forensic Science</b>	
Provide Operating Support for Northern Virginia Forensic Laboratory	\$1.2
<b>Central Appropriations</b>	
Funding for Interest Earnings and Credit Card Rebates for Institutions of Higher Education	\$9.9
Increase Virginia Community College Transfer Grant Program	1.3

\* This total reflects the Administration's policy decisions to reduce inflation for hospitals and nursing homes, and a rate increase for managed care organizations resulting in a reduction of general fund spending of \$57.7 million in FY 2010.

**Budget Savings**

The proposed budget includes general fund spending reductions which are detailed below.

**Major General Fund Spending Reductions Proposed in  
HB 1600 / SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

<b>Judicial Department</b>	
<b>Judicial Department Reversion Clearing Account</b>	
Implement Judicial Branch Budget Reductions	(\$5.0)
<b>Executive Offices</b>	
<b>Office of the Governor</b>	
Reduce Personal Services Costs	(\$1.4)
<b>Attorney General and Department of Law</b>	
Implement Hiring Freeze	(\$3.2)

**Major General Fund Spending Reductions Proposed in  
HB 1600 / SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

**Administration**

**State Compensation Board**

Reduce Constitutional Officer Funding	(\$43.5)
Use E-911 Funds for Sheriffs' Dispatchers	(12.0)
Use Clerks' Technology Funds for Circuit Court Clerks	(1.5)

**Department of General Services**

Use NGF for Procurement Administration	(\$2.0)
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**Department of Human Resources Management**

Use NGF for Administrative Expenses	(\$1.0)
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**Agriculture and Forestry**

**Department of Agriculture and Consumer Services**

Eliminate 19.0 FTE Positions Throughout the Agency	(\$2.1)
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**Department of Forestry**

Eliminate 23.0 FTE Positions Throughout the Agency	(\$1.4)
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**Commerce and Trade**

**Secretary of Commerce and Trade**

Reduce Funding for Semiconductor Manufacturing Grants	(\$8.8)
Reduce Funding for Virginia Investment Partnership Grants	(1.4)

**Department of Housing and Community Development**

Reduce Enterprise Zone Program Grant	(\$3.4)
Reduce Indoor Plumbing Rehabilitation Grant	(3.2)
Administrative Efficiencies and Small Program Reductions	(2.0)

**Department of Mines, Minerals and Energy**

Create Operating Efficiencies, Use NGF, and Restructure Agency Positions	(\$1.8)
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**Virginia Economic Development Partnership**

Implement Across the Board Reductions	(\$2.0)
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**Virginia Tourism Authority**

Implement Across the Board Reductions	(\$1.6)
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**Education**

**Direct Aid (DA) to Public Education**

Implement a Funding Cap for Support Positions	(\$340.9)
Technical Update: ADM for SOQ Programs	(79.5)
Eliminate Planned Salary Increase for FY 2010	(71.6)

**Major General Fund Spending Reductions Proposed in  
HB 1600 / SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

Eliminate Use of Lottery Funds for School Construction Grants and Reassign Other GF Programs to Lottery Area	(55.8)
Technical Update: Net Sales Tax October Forecast	(55.6)
Use Literary Fund for Teacher Retirement	(51.3)
Remove Funding for School Construction Grants	(27.5)
Technical Update: Net Sales Tax December Forecast	(18.5)
Technical Update: Categorical Programs for Student Participation	(3.7)
Revise Literary Fund Forecast	(3.1)
Reduce Rates for Group Life & Retiree Health Care Credit	(2.7)
Capture Savings from State Facility Closures	(1.9)
<b>Department of Education (DOE), Central Office Operations</b>	
Eliminate Vacant Positions, Layoffs, and Other Personnel Actions	(\$4.8)
Supplant General Funds with Federal Funds	(2.5)
<b>Higher Education</b>	
<b>Colleges and Universities</b>	
Reduce GF Support	(\$296.2)
Eliminate Tuition Moderation Fund Support	(18.8)
Eliminate Pay Practice Funding	(2.3)
<b>Affiliated Institutions and Higher Education Centers</b>	
Reduce GF Support	(\$15.0)
Eliminate Eminent Scholar Program	(6.0)
Eliminate TAG for Graduate Students	(2.1)
<b>Other Education Agencies</b>	
<b>Virginia Museum of Fine Arts</b>	
Other VMFA Reductions	(\$2.0)
Use NGF for Operating Expenses	(1.2)
<b>Jamestown/Yorktown Foundation</b>	
Other JYF Reductions	(1.6)
Use NGF for Operating Expenses	(1.1)
<b>Other Museums and the Library of Virginia</b>	
Other Reductions to Other State Museums and the Library of Virginia	(4.8)
<b>Finance</b>	
<b>Department of Accounts Transfer Payments</b>	
Fund Line-of-Duty Act as Pay-as-You-Go	(\$5.5)

**Major General Fund Spending Reductions Proposed in  
HB 1600 / SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

<b>Department of Planning and Budget</b>	
Reduce School Efficiency Reviews	(\$1.4)
<b>Department of Taxation</b>	
Reduce VITA Costs	(\$3.5)
<b>Treasury Board</b>	
Changes in Issuance and Interest Rates on Current Debt	(\$17.2)
Delay HEETF Issuance	(9.7)
Defer Payment of Principle on Variable Rate Demand Bonds	(8.6)
 <b>Health and Human Resources</b>	
<b>Comprehensive Services Act for At-Risk Youth and Families</b>	
Reduce Funding for Anticipated Caseload Growth	(\$10.0)
Reduce Funding for Out of State Placements	(2.0)
Eliminate CSA Infrastructure Grants	(1.0)
<b>Department of Health</b>	
Eliminate Funding for Filled and Vacant Local Positions	(\$4.8)
Phase-out Funding for Physician Loan Repayment Programs	(1.6)
Reduce Funding for Locally-Operated Health Departments	(1.4)
Consolidate Poison Control Centers	(1.0)
<b>Department of Medical Assistance Services</b>	
Increase in Cigarette Tax from \$0.30 to \$0.60 per pack	(\$154.9)
Delay Managed Care Payments by One Month	(59.8)
Delay Hospital Reimbursements by One Month	(32.2)
Delay Medicaid Reimbursements by One Week	(25.0)
Reduce Inpatient Hospital Reimbursement Rates	(15.7)
Repeal State/Local Hospitalization Program	(10.9)
Delay Payment to Federal Government for Medicare Premiums	(9.5)
Cap Spending on Medicaid Long-term Care Waivers	(9.2)
Suspend Indigent Health Care Trust Fund	(8.6)
Close Southeastern Virginia Training Center	(8.4)
Implement Provider Assessment for ICFs/MR	(7.1)
Suspend Addition of 200 Mental Retardation Waivers	(5.8)
Cap Enrollment in the Elderly and Disabled Waiver	(5.8)
Reduce Hospital Reimbursement for Capital Costs	(4.4)
Remove New Services from Long-term Care Waiver Programs	(3.9)
Reduce Administrative Costs for New Initiatives	(2.5)
Reduce MR Waiver Rate Increase to 2 percent	(2.2)
Capture Rebates on Physician Administered Medications	(2.0)



**Major General Fund Spending Reductions Proposed in  
HB 1600 / SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

Reduce Reimbursement for Psychiatric Hospitals	(1.1)
Reduce Reimbursement for Long-stay Rehabilitation Hospitals	(1.0)
<b>Mental Health, Mental Retardation &amp; Substance Abuse Serv.</b>	
Reduce Administrative Funding for CSBs	(\$24.8)
Close Commonwealth Center for Children & Adolescents	(6.2)
Use Special Fund Balances to Replace General Funds	(5.0)
Reduce Central Office Staffing Levels	(4.2)
Consolidate Support Services at State Facilities	(4.0)
Close Adolescent Unit at Southwestern Virginia MHI	(1.4)
<b>Department of Rehabilitative Services</b>	
Reduce Funding for Long-term Employment Support Services	(\$1.5)
Reduce Funding for Extended Employment Services	(1.0)
<b>Department of Social Services</b>	
Replace GF Spending with Federal TANF Dollars	(\$37.8)
Eliminate 80 FTEs in Central Office	(3.0)
Eliminate Child Care Automation Project	(1.5)
Replace GF Spending with Federal Food Stamps	(1.4)
Adjust Funding for Auxiliary Grant Program	(1.4)
Reduce Rate Increase from 8 to 6 percent for Foster Families	(1.2)
<b>Natural Resources</b>	
<b>Department of Conservation and Recreation</b>	
Reduce State Park Operations	(\$4.0)
Eliminate Funding for Soil & Water Conservation Dist. Dam Repair	(1.7)
Reduce Match Funds for Conservation Reserve Enhancement	(1.1)
<b>Department of Environmental Quality</b>	
Eliminate 59 FTE Positions Throughout the Agency	(\$7.1)
Reduce Match for Wastewater Revolving Loan Fund	(3.0)
<b>Public Safety</b>	
<b>Department of Correctional Education</b>	
Eliminate 20 FTE Positions Due to Facility Moves	(\$2.5)
Reduce Equipment, Software and Supplies	(2.2)
Eliminate Vacant Positions	(1.9)
<b>Department of Corrections</b>	
Close Southampton Correctional Center	(\$16.1)
Close Pulaski Correctional Center	(8.9)

**Major General Fund Spending Reductions Proposed in  
HB 1600 / SB 850 as Introduced**  
(2008-10 biennium, \$ in millions)

Improve Provider Claim Edits	(1.1)
Eliminate Therapeutic Transitional Community Programs	(4.1)
Defer Institutional Equipment Purchases	(3.6)
Close White Post Detention Center	(3.4)
Close Dinwiddie Field Unit	(3.3)
Close Tazewell Field Unit	(3.0)
Remove Additional Funding for Pay Practices	(2.4)
Increase Agency Turnover and Vacancy Rate	(2.2)
Reduce Counselors Throughout Correctional System	(1.7)
Eliminate Day Reporting Centers	(1.6)
Reduce Warehouse Staff	(1.2)
Adjust Sexually Violent Predator Supervision to Actual Count	(1.0)
<b>Department of Criminal Justice Services</b>	
Reduce HB 599 (State Aid to Localities with Police Departments)	(\$22.1)
<b>Department of Juvenile Justice</b>	
Reduce Court Service Unit Staffing	(\$4.0)
Capture Capital Outlay Balances	(3.2)
Reduce Funding for Purchase of Services	(2.6)
Eliminate Funding for Virginia Wilderness Institute	(2.3)
Reduce Mental Health Treatment Positions	(1.8)
Cancel Beaumont Transitional Cottage Program	(1.7)
Reduce Positions in Various Administrative Units	(1.3)
<b>Department of State Police</b>	
Hold Civilian Vacancies	(\$3.3)
Postpone 115th and 116th Basic Trooper Schools	(3.0)
Eliminate Overtime Compensation Funding	(2.1)
Supplant GF Support for State Police Med-Flight Operations	(1.6)
<b>Central Appropriations</b>	
Eliminate Funding for FY 2009 Salary Increase	(\$125.1)
Eliminate Funding for FY 2010 Salary Increase	(43.0)
Reduce Contribution Rates for VSDP	(28.4)
Adjust Reversion Clearing Account for Agency Reductions	(11.9)
Reduce Contribution Rates for Retiree Health Care Credit	(4.1)
Reduce Rent Plan for Seat of Government	(2.3)
<b>Capital Outlay</b>	
Supplant GF with VCBA / VPBA Bonds	(\$350.0)

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

**Public Education.** The Governor's proposed amendments in public education result in a net decrease of \$691.9 million GF, for a total of \$10,962.4 million GF for Direct Aid for the biennium. The majority of the GF savings, \$583.7 million, occur in the second year of the budget. The largest proposed budget action changes the current policy for how the state funds non-classroom educational support positions. This action applies a funding cap of one funded support position to every 4.03 funded instructional positions and saves \$340.9 million GF the second year. Along with the cap, the Governor recommends a new funding loss allocation of \$60.9 million for those localities most affected by the policy change. The new funding cap ensures that localities will not lose more than \$403.90 per student due to the policy change.

The budget proposes to eliminate the second year 2 percent pay adjustment and makes a slight reduction to the contribution rates for retiree health care credit and group life, saving \$71.6 million GF and \$2.7 million GF the second year, respectively. Other proposed actions include supplanting Literary Funds for general funds to cover a portion of teacher retirement payments (a net reduction of \$42.6 million GF in FY 2009 and \$11.8 million GF in FY 2010).

The proposed budget eliminates the use of Lottery funds for school construction grants and reassigns six programs to be funded from Lottery proceeds (Alternative Education, Individual Student Alternative Education Plan, Special Education - Regional Tuition, NCLB, Project Graduation) and moves two programs (Enrollment Loss and Remedial Summer School) out of the Lottery Fund resulting in total net savings of \$55.8 million the second year. In addition, the Governor's budget recommends decreasing the estimates for Lottery revenue by \$30.5 million in FY 2009 and \$30.8 million in FY 2010. Further, the budget recommends eliminating \$27.5 million GF from the school facilities construction grant program in the second year.

The Governor's proposed budget includes several actions that impact sales tax, adding about \$9.2 million in the second year. This amount is offset by the revised October and December sales tax forecast estimates that reduce funding by \$30.0 million in FY 2009 and \$44.2 million in FY 2010. A technical adjustment based on the 2008 triennial school census adds \$4.6 million to basic aid payments the second year. Additional technical adjustments related to updated student membership, student participation and test scores decreases funding to the SOQ, incentive and categorical programs by \$35.7 million in FY 2009 and \$47.4 million in FY 2010.

**Higher Education.** Proposed amendments result in a net decrease of \$309.7 million GF or 8 percent when compared to the original appropriation. This reflects a decrease of \$340.8 million GF offset by \$31.1 million GF in new spending, primarily for student financial aid. Most of the reductions in higher education are the result of across-the board strategies. Institutions of higher education received either a 5 or 7 percent reduction in FY 2009. In FY 2010, four-year institutions received a 15 percent reduction and two-year institutions received a 10 percent reduction. Financial aid support totaling \$25.9 million GF is provided in part to help reduce past and future tuition increases as the result of declining general fund support.

***Health and Human Resources.*** The introduced budget for Health and Human Resources agencies reduced spending by a net total of \$222.1 million GF over the biennium. New biennial spending of \$296.1 million GF is offset by proposed reductions of \$518.2 million GF. Balances from agency funds and transfers of nongeneral fund revenue to the general fund increase proposed savings by \$65.2 million GF over the biennium.

Funding reductions for the Medicaid program include a proposed increase in the cigarette tax from 30 to 60 cents per pack effective July 1, 2009. The 30-cent per pack increase is expected to generate \$154.9 million GF in FY 2010. Revenues from the tax are deposited into the Virginia Health Care Fund, which are used to match federal Medicaid funds. Therefore, an increase in revenues allows for a reduction in general funds. Targeted reductions in Medicaid involve shifting and reducing provider payments for a savings of \$151.1 million, and capping enrollment and services in long-term care waivers saving \$24.8 million GF. In addition, Medicaid savings of \$7.1 million GF are realized by implementing a provider assessment on intermediate care facilities for the mentally retarded (ICF-MRs).

Other significant reductions include \$16.0 million GF in savings in FY 2010 from the closure of Southeastern Virginia Training Center, the children and adolescent unit at Southwestern Mental Health Institute and the Commonwealth Center for Children and Adolescents located on the Western State Hospital campus. In addition, a savings of \$12.0 million GF is included in the Comprehensive Services Act program from lower utilization of services.

Mandated spending on Medicaid and children's health insurance programs, due to enrollment and utilization increases, is fully funded in the introduced budget with \$280.1 million GF for the biennium. An additional \$1.8 million is provided for medical services due to increases in temporary detention orders. The budget also includes an additional \$1.7 million GF for a 3 percent increase in rates for consumer-directed personal care for individuals enrolled in Medicaid home- and community-based waivers. In the Department of Social Services, an additional \$2.4 million GF is provided to cover the increased cost of adoption subsidy payments and an additional \$1.0 million in FY 2009 is provided for the Federation of Virginia Food Banks.

***Public Safety.*** Proposed amendments result in a net reduction of \$124.5 million GF or 3.4 percent less than the budget as approved in Chapter 879. The proposed budget includes a series of amendments intended to reduce the future growth of the state- and local-responsible offender population, including language authorizing early release and behavioral corrections programs, as well as \$0.4 million for temporary probation and parole officers, \$0.7 million for ten additional teachers, and \$3.0 million for expanded pre-trial release programs. The proposed budget includes the closure of six correctional facilities and the remaining day reporting centers and the elimination of funds for transitional therapeutic community (TTC) substance abuse treatment programs. These actions result in the elimination of 697.5 positions and an estimated 330 layoffs in the Department of Corrections. The proposed budget for the Department of Juvenile Justice includes the closure of Camp New Hope and the Virginia Wilderness Institute, as well as the elimination of 45 positions in local juvenile court services units. In the Department of State Police, the 115<sup>th</sup> and 116<sup>th</sup> Basic Trooper Schools are postponed to April and November, 2009, respectively. Separate legislation will be introduced to increase the fee for

instant criminal background checks from \$2 to \$5, providing an additional \$1.5 million from nongeneral funds. Legislation approved last year increased the \$4 for Life program to \$4.25. The proposed budget supplants \$1.6 million in general funds for the med-flight program with an equal amount of nongeneral funds from the Rescue Squad Assistance Fund.

**Compensation.** The budget as introduced includes savings of \$168.2 million from elimination of the FY 2009 and FY 2010 2 percent salary increases for classified employees, state-supported local employees, and faculty. Other proposed decreases include \$33.1 million GF from changes in the actuarial methodology used to calculate premiums for non-retirement benefits provided by the VRS and elimination of the long-term care benefit under the Virginia Sickness and Disability Program.

**Central Appropriations.** General fund increases total \$16.0 million, and include \$13.3 million to pay institutions of higher education the interest earned and rebates on charge card purchases. Other proposed increases include \$1.3 million for the two-year college transfer grant program, \$628,965 for transition and inaugural expenses for the newly-elected state-wide officers, \$438,208 GF as the first installment on the actuarial liability created by payment of the costs of providing enhanced retirement benefits under the Workforce Transition Act of 1995, and \$376,280 GF to convert the payroll services bureau that is operated by the Department of Accounts to an internal service fund.

**Administration.** The Governor's proposed amendments for Administration result in a net decrease of \$63.2 million GF and an increase of \$16.1 million NGF for the biennium. This represents a 4.4 percent reduction in GF appropriations for the biennium. The only significant spending initiative is \$3.5 million GF in the second year for staffing at new jails, which is partially offset by a decrease of \$1.0 million in funding the first year due to the delay in the opening of the second phase of the Riverside Regional Jail. The majority of the savings proposals are included within the Compensation Board's budget. The introduced budget proposes a reduction of \$55.9 million GF for the Compensation Board including \$43.5 million from reduced funding for constitutional officers, savings of \$12.0 million GF from supplanting E-911 funds with general funds to support dispatcher positions, and one-time savings of \$1.5 million GF from supplanting general funds with technology trust fund revenue to support circuit court clerk offices.

**Finance.** Proposed amendments for the Finance secretariat result in a net decrease of \$21.3 million general funds for the biennium, representing a 1.6 percent reduction from the budget approved in Chapter 879. In addition to the expenditure reductions, there are several initiatives within the Secretariat which are expected to result in \$29.3 million in additional revenues during the biennium. The majority of this revenue, \$22.9 million, is realized from the initiative within the Department of Taxation to enhance tax compliance efforts. Significant spending initiatives within the Secretariat include \$5.8 million for the Department of Taxation to hire 55 new tax compliance audit staff; and \$2.1 million to relocate Tax staff to the Main Street Center, and a \$3.5 million net increase in debt service expenditures at the Treasury Board. Significant savings initiatives within the Secretariat include \$5.5 million in savings at the Department of Accounts from reverting to pay-as-you-go for the Line of Duty Benefit, \$9.7 million in savings at the Treasury Board from delaying the issuance of Higher Education

Equipment Trust Fund bonds and savings of \$8.6 million from deferring the payment of principle on VCBA variable rate bonds.

*Natural Resources.* Proposed amendments include general fund reductions of \$24.0 million offset by general fund increases of \$11.8 million. Additional spending items for the biennium include \$10.0 million GF and \$10.0 million NGF for the Natural Resources Commitment Fund. These funds are used to support agriculture best management practices designed to improve water quality. An additional \$1.5 million GF is included to provide the statutorily required deposit to the Water Quality Improvement Fund.

*Agriculture and Forestry.* Amendments for the Agriculture and Forestry secretariat include reductions of \$9.1 million in general funds, or 8.9 percent from the budget approved in 2008. General fund reductions for the Department of Agriculture and Consumer Services total \$4.9 million. Targeted reductions include \$890,000 GF and elimination of seven FTE positions in the Division of Charitable Gaming and the reduction of \$500,000 GF in the state match for local purchase of development rights programs. General fund reductions for the Department of Forestry total \$4.2 million. Targeted reductions include \$589,000 GF generated by consolidating from six regional offices to three and approximately \$1.0 million from eliminating 23 positions throughout the agency.

*Commerce & Trade.* Proposed amendments to the agencies of the Commerce and Trade secretariat include general fund reductions of \$17.6 million and nongeneral fund increases totaling \$378.9 million. Spending reductions include the elimination of economic incentive payments of \$8.8 million GF that will not be required under the Semiconductor Memory or Logic Wafer Manufacturing Performance Grant Fund. Additional biennial general fund reductions of \$6.6 million are included for the Indoor Plumbing and Enterprise Zone grant programs within the Department of Housing and Community Development. Offsetting these savings, the budget proposes a general fund increase of \$5.0 million in the second year for the Governor's Opportunity Fund and an additional appropriation of \$1.6 million in the second year for the Fort Monroe Federal Area Development Authority.

*Technology.* Proposed amendments include \$1.3 million in general fund reductions and \$10.2 million in nongeneral fund reductions. The general fund reductions largely reflect the Governor's approved October savings strategies. The two most significant actions proposed in the introduced budget include a merger of the Virginia Enterprise Applications Program Office (VEAP) and the Virginia Information Technologies Agency (VITA), and a reduction of \$6.0 million each year in nongeneral fund appropriations for the Wireless E-911 program operated by VITA. This amount is subsequently transferred to the Compensation Board to support the costs of dispatchers in sheriffs' offices.

*Transportation.* Proposed amendments include a nongeneral fund revenue reduction of \$670.1 million compared to Chapter 879, reflecting reduced growth in a number of transportation revenue sources, in particular motor vehicle titling taxes and recordation taxes. With minor exceptions, the budget does not include any transfers of transportation funds to the general fund to address the GF budget shortfall. The adjustments simply reflect changes in available transportation revenues. The reductions are contained in a single item in each agency

and are not integrated into the specific programs. Similarly, there is no language specifying how the agencies intend to implement the reductions by program, roadway system or geographic area. Across the Secretariat, the proposed amendments reduce the agencies' maximum employment level by 1,163 fulltime equivalent positions. All but 13 of the eliminated positions are at VDOT which is reducing its MEL from 9,500 to 8,350 by the end of the biennium.

**Capital Outlay.** Proposed amendments include a net increase of \$309.3 million in project funding. Specific actions include supplanting \$350.0 million from the state general fund with tax-supported bonds from the Virginia College Building Authority (VCBA) and the Virginia Public Building Authority (VPBA), supplanting \$56.0 million of nongeneral fund cash with tax-supported VCBA bonds, providing \$26.2 million in VCBA bonds for equipment for buildings scheduled to be completed, providing \$25.8 million in 9(c) bond authority and \$111.3 million in 9(d) bond authority primarily for auxiliary enterprise and other nongeneral fund revenue-supported projects at the colleges and universities, and proposing \$71.6 million in nongeneral fund cash projects.

**Judicial.** Proposed amendments result in a net increase of \$7.0 million from the general fund, or 0.9 percent above the budget approved by the 2008 General Assembly. The only increases are \$5.4 million each year for the Criminal Fund and \$0.6 million each year for the Involuntary Mental Commitment Fund. Total budget reductions include \$2.0 million the first year and \$3.0 million the second year, as detailed in the budget reduction plan proposed by the Chief Justice.

**Independent Agencies.** The proposed budget results in a decrease of \$100,000 GF and a net reduction of \$1.6 million NGF for independent agencies. General fund savings are realized from a decrease of \$50,000 each year for the Volunteer Firefighter's and Rescue Squad Workers' Service Award program within the Virginia Retirement System. Other amendments include a \$13.8 million NGF decrease in the distribution from the Uninsured Motorist Fund and a \$10.0 million NGF increase in the appropriation for the Virginia College Savings Plan to meet expected payouts from the plan in the second year. In addition, the budget assumes the State Corporation Commission will transfer \$1.1 million in unobligated cash balances to the general fund in the first year of the biennium.