

Overview of the Adopted Budget for 2008-10

The adopted general fund budget for 2008-10 is predicated on an economic outlook that remains sluggish through most of fiscal year 2009 as the impact of the downturn in the housing and subprime mortgage markets continues to affect consumer and financial confidence. However, growth is projected to moderate and rebound toward long-term trend rates in fiscal year 2010. Specifically, the revenue outlook assumes below trend revenue growth of 2.2 percent in fiscal year 2009 (economic growth rate of 4.1 percent) and 6.8 percent in fiscal year 2010.

The budget, as introduced, provided approximately \$36.2 billion in available general fund resources for the 2008-10 biennium. However, a mid-session revenue reforecast in February 2008, led to a reduction in general fund revenues of \$1,052.3 million for the biennium.

The approved biennial budget provides a net general fund increase of \$988.4 million above the adjusted base budget. In addition, the budget provides \$105.3 million in general fund support for capital outlay projects.

The adopted capital construction package, contained in the budget and separate legislation, provides \$2.0 billion in taxpayer supported general fund debt.

General Fund Budget for 2008-10 (\$ in millions)	
Resources Available for Appropriation	\$ 34,613.0*
Operating Appropriations	\$ 34,454.0
Capital Outlay Appropriations	<u>105.3</u>
Unappropriated Balance	\$ 53.7
*Reflects reclassification of \$922.0 million in Lottery Proceeds as Nongeneral Fund	

Of the \$53.7 million unappropriated balance, \$50.0 million is appropriated as a revolving fund for planning capital outlay projects included in Chapters 1 and 2 of the 2008 Acts of Assembly – Special Session I (HB5001 and SB5001), the adopted capital bond program. [NOTE: In addition to the \$53.7 million unappropriated balance, \$17.0 million in general fund balances became available as a result of budget reduction plans submitted to the Governor in mid-session as a result of the downward revision in the revenue forecast.]

Revenues

The 2008-10 general fund revenue forecast assumes growth rates of 2.2 percent for FY 2009 and 6.8 percent for FY 2010. The FY 2009 growth rate reflects several adjustments related to continuing weakness in the housing market and its impact on job growth and consumer spending. The forecast also

reflects previously approved policy actions that eliminated the estate tax, increased the level of refunds attributable to the land conservation tax credit and the low income tax credit, and dedicated 3 cents in recordation taxes to transportation. Disregarding these and other tax policy actions, the pure economic growth rate assumed in the introduced budget is 4.1 percent in FY 2009 and 6.8 percent in FY 2010 (projected economic growth in FY 2008 is 3.6 percent).

Total general fund resources also include \$772.3 million in transfers. Of this amount, \$501.6 million over the biennium represents the additional one-quarter cent sales tax for public education; \$70.3 million over the biennium represents ABC profits; and \$150.5 million in ABC profits and wine taxes directed to the Department of Mental Health, Mental Retardation and Substance Abuse Services for substance abuse programs. Finally, balance adjustments reflect the reversion of \$180.0 million in general fund dollars appropriated to transportation in fiscal year 2008. A like amount is appropriated through bonded debt.

General Fund Resources Available for Appropriation (2008-10 biennium, \$ in millions)	
Net Beginning Balance	\$ 312.8
Adjustments to Balance	247.9
Revenue Estimate	33,280.0
Other Transfers	<u>772.3*</u>
Total GF Resources	\$34,613.0
*Reflects reclassification of Lottery Proceeds as Nongeneral Fund	

Spending Increases

The biennial budget, as adopted, includes new spending of \$2,614.0 million GF above the adjusted base budget. Most of the major general fund spending items are driven by federal and state mandates, enrollment growth, and caseload increases such as:

- \$942.5 million for the cost of the state's share of the Standards of Quality for public schools, including projected enrollment, prevailing salaries and nonpersonnel services costs, adjusted benefit contribution rates, updates to related categorical and incentive programs, and updates to the composite index.
- \$325.0 million to address the cost to Medicaid of higher utilization and inflation.
- \$158.6 million to address anticipated growth in the CSA program.
- \$171.4 million for a 2 percent salary increase in each year for state and state-supported local employees and teaching and research faculty.
- \$77.6 million for the state's share of a 2 percent salary increase for teachers effective July 1, 2009.

- \$106.3 million for higher education including:
 - \$35.0 million for a tuition moderation incentive fund;
 - \$22.1 million for enrollment growth and base adequacy at Virginia’s public colleges and universities;
 - \$18.2 million for financial aid; and
 - \$31.0 million for higher education research support.

Major Spending Increases in Chapter 879, as Adopted
(biennial GF \$ in millions)

Legislative Department

Capitol Police

Fully Fund Staff and Other Critical Needs	\$1.4
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Judicial Department

Circuit Courts

Criminal Fund (spread throughout Judicial Department Agencies)	\$20.0
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Magistrate System

Additional Staffing and Funding for Magistrate System	\$7.8
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Administration

Compensation Board

Provide Per Diem Funding	\$23.7
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Fund Staffing for New Jail Construction	20.5
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SAVIN Victim Notification System	1.5
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Western Virginia Regional Jail Operations Funding	1.5
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Rappahannock Regional Jail Operations Funding	1.1
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Agriculture and Forestry

Department of Agriculture and Consumer Services

Assume Charitable Gaming Regulation	\$5.1
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Purchase of Development Rights Matching Funds	1.5
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Commerce and Trade

Secretary of Commerce and Trade

Code-Stipulated Semiconductor Manufacturing Performance Grants	\$24.2
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Governor's Opportunity Fund	15.1
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Virginia Investment Partnership (VIP) Grants	3.6
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Virginia Economic Development Partnership (Central Appropriations)

Military Strategic Response (BRAC and DARPA)	\$27.0
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Major Spending Increases in Chapter 879, as Adopted
(biennial GF \$ in millions)

Rolls-Royce Incentive Funding	10.7
SRI International Grants	4.0

Education

Direct Aid to Public Education

Update Re-benchmarking Component Costs:	
Standards of Quality	\$890.3
Net Sales Tax Revenues	20.1
Incentive-based Programs	12.0
Categorical Programs	9.9
Composite Index	9.9
Salary Increase: 2% Effective July 1, 2009	77.6
Special Education Data Corrections	6.7
Increase Funding - National Board Teacher Certification Bonuses	2.0

Virginia School for the Deaf and the Blind and Multi-Disabled

Increase Operations and Add 47 FTE at Staunton Due to Consolidation	\$6.9
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Higher Education

Colleges and University

Tuition Moderation Incentive Fund	\$35.0
Base Adequacy	22.1
Continuation of Research at Colleges and Universities	20.8
Undergraduate Student Financial Aid	18.2
Higher Education Research Initiatives	10.2

Affiliated Higher Education

Higher Education Centers Operating Support	\$2.3
SCHEV Tuition Assistance Grants	1.1
Institute for Advanced Learning and Research	1.0
Nursing workforce	1.0

State Museums

Fine Arts Museum Operating Support for New Expansion	\$2.7
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Finance

Department of Accounts Transfer Payments

Mandatory Revenue Stabilization Deposit	\$21.3
Line of Duty Act OPEB Requirement	3.9

Treasury Board

Debt Service on Existing Bond Projects	\$136.5
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Major Spending Increases in Chapter 879, as Adopted
(biennial GF \$ in millions)

Debt Service on Proposed Bond Projects	17.3
Maintenance Reserve Revolving Fund	16.7
Debt Service on Existing HEETF Program	12.9

Health and Human Resources

Comprehensive Services Act

Mandatory Caseload and Cost Increases	\$158.6
Increase Payments to Foster Care Families	3.2

Department of Health

Add Funding for Community-Based Health Safety Net	\$5.3
Lease Costs for Local Health Departments with Critical Health Safety Issues	1.4

Department of Medical Assistance Services

Medicaid Utilization and Inflation	\$325.0
Phase in 600 Additional Mental Retardation (MR) Waiver Slots	29.2
FAMIS Utilization and Inflation	17.0
Medicaid SCHIP Utilization and Inflation	10.3
3.6 Percent Rate Increase for MR Waiver Congregate Care Services	10.0
Expand Prenatal Care for Pregnant Women (FAMIS Moms)	1.6

Department of Mental Health, Mental Retardation, and Substance Abuse Services

Mental Health Services	\$28.3
Programs to Divert People with Mental Illness from Jails	6.0
Outpatient Mental Health Services for Children	5.8
Sexually Violent Predator Program	3.9
MR Waiver Start-up Costs	2.4

Department of Social Services

Offset Loss of Federal Funds for Child Welfare Services	\$23.9
Foster Care and Adoption Subsidy Caseload and Cost Increases	10.5
Increase Payments to Foster Care and Adoptive Families	7.4
Offset Loss of Federal Funds for Child Support Enforcement Operations	3.3
Recruitment and Retention of Foster and Adoptive Parents	1.8

Natural Resources

Department of Conservation and Recreation

Operating Support for VA Outdoors Foundation	\$1.5
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Department of Environmental Quality

Combined Sewer Overflow Funding	\$3.0
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Major Spending Increases in Chapter 879, as Adopted
(biennial GF \$ in millions)

Department of Historic Resources	
Preservation of Civil War Battlefields	\$5.0
Public Safety	
Department of Corrections	
Inmate Medical Costs	\$23.8
Department of Criminal Justice Services	
Funding for Internet Crimes Against Children Task Forces	\$1.5
Department of State Police	
Provide Funding for Fuel Expenses	\$2.7
Increase Existing State Trooper Availability for Highway Patrol Services	2.2
Department of Veterans Services	
Establish Wounded Warrior Program	\$4.5
Technology	
Virginia Information Technologies Agency	
Backfill GF Savings Assumed in FY 2008	\$9.9
Central Appropriations	
Central Appropriation	
2% Annual Salary Adjustments for State Employees, Faculty & State Supported Local Employees in each year	\$171.4
State Employee Health Insurance	33.9
Funding for Impact of VITA Rate Changes	19.0
Funding for Community College Transfer Grant Initiative	2.1
Fund Increase in State Employee Workers Compensation Premiums	2.8
Increased Rental and Energy Costs at the Seat of Government	2.3
Capital Outlay	
Restore Project Cash Flows	\$100.0
Implement Capital Bond Package	5.3
Grand Total	\$2,573.0

Budget Savings

The adopted budget includes major general fund spending reductions of \$607.3 million, detailed below. Excluded from the table is a technical change that resulted in a reduction in general fund appropriations of \$922.0 million by directing Lottery Proceed funds to the nongeneral fund. Prior to this change, Lottery Proceed funds had been appropriated as general funds.

Major Spending Reductions in Chapter 879, as Adopted (biennial GF \$ in millions)

Judicial Department

Supreme Court of Virginia

Waivers for Court-Appointed Counsel	(\$6.0)
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Administration

State Compensation Board

Constitutional Officers' Insurance Premiums	(\$3.1)
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Remove Exemptions to Federal Prisoner Overhead Recoveries	(3.1)
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Capture Vacancy Savings from Commonwealth's Attorneys and Sheriffs	
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Vacancy Savings for Clerks, Treasurers, Finance Directors, & Commissioners	(2.6)
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Education

Direct Aid (DA) to Public Education

Increase Literary Funds for VRS Payments	(\$65.0)
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Update VRS, RHCC & Group Life Rates for SOQ positions	(58.8)
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Inflation Cap at 5%	(20.8)
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Education for a Lifetime Programs	(5.2)
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Regional Special Education Tuition Update	(2.8)
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Leadership Development grants	(1.0)
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Reduce Funding for Career & Technical Education Equipment	(1.0)
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Virginia School for the Deaf, Blind and Multi-Disabled

Adjust & Transfer Funding Due to Consolidation	(\$11.2)
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Higher Education

Colleges and Universities

VCU Tier 3 Operating Efficiencies	(\$1.2)
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Finance

Department of Accounts Transfer payments

Eliminate Wine Tax Distribution to Localities	(\$8.7)
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Major Spending Reductions in Chapter 879, as Adopted
(biennial GF \$ in millions)

Eliminate ABC Profits Distribution to Localities	(8.3)
Department of Taxation	
Reflect New VITA Rates	(1.4)
Treasury Board	
Higher Education Equipment Trust Fund Amortization	(\$9.1)
Health and Human Resources	
Comprehensive Services Act	
Incentives for Community-based Care for Children	(\$5.3)
CSA Improved Use of Medicaid	(2.0)
Substitute TANF for GF for CSA Trust Fund	(1.0)
Department of Health	
Replace GF with Increased Fee Revenue	(\$2.3)
Substitute TANF for GF for Eligible Programs	(1.9)
Department of Medical Assistance Services	
Reduce Hospital Inflation Adjustment	(\$29.6)
Adjust GF for Increased NGF from the Virginia Health Care Fund	(26.3)
Reduce Nursing Home Payments	(11.6)
Reduce Funding for Involuntary Mental Commitments	(1.8)
Implement Chronic Care Management Program	(1.6)
Department of Social Services	
Substitute TANF for GF for Eligible Programs	(\$4.0)
Update General Relief Program Spending	(2.3)
Update Auxiliary Grant Program Spending	(2.0)
Reduce Funding for Caregivers Grant Program	(1.0)
Natural Resources	
Department of Conservation and Recreation	
Reduce Funding for Virginia Land Conservation Foundation	(\$2.0)
Eliminate Funding for State Park Dam Repair	(1.3)
Public Safety	
Department of Corrections	
Defer Opening St. Brides Phase II	(\$2.0)

Major Spending Reductions in Chapter 879, as Adopted

(biennial GF \$ in millions)

Central Appropriations

Central Appropriation

Local Aid Reductions	(\$100.0)
Reversion Clearing Account for Benefit Funding Adjustments	(119.4)
State Agency Reversions	(35.0)
Early Retiree Health Insurance Funding	(18.7)

Grand Total*	(\$607.3)
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* Does not include technical change accounting for Lottery Proceeds as NGF.

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

Public Education. The adopted budget for Direct Aid to localities for Public Education results in a net biennial budget of \$11.7 billion GF and \$2.9 billion NGF. This reflects a net increase over the base budget of \$1.0 billion (all funds), primarily due to the technical, formula-driven re-benchmarking cost updates for the Standards of Quality (SOQ). Other key changes include: additional Literary Fund revenues to offset a portion of teacher retirement costs; \$77.6 million GF the second year for the state's share of a 2 percent salary adjustment, effective July 1, 2009, for all SOQ-funded positions; an additional \$21.8 million over the biennium for the Virginia Preschool Initiative for at-risk four-year-olds to increase the per pupil amount from the state's share of \$5,700 to \$6,000, and beginning in the second year, the minimum state share would be 50 percent. The adopted budget also accounts for Lottery Proceeds as nongeneral funds (NGF), rather than as general funds (GF), and appropriates profits directly from Lottery Proceeds Fund to counties, cities and towns for certain programs.

For the Virginia Schools for the Deaf, Blind, and Multi-Disabled, the adopted budget reflects a combined net decrease of \$4.0 million GF and 81.0 FTE positions by the second year due to consolidation of the state-operated residential program at Staunton and transition to a local regional day program in the Hampton Roads area.

Higher Education The adopted budget for higher education results in a net increase of \$111.1 million GF. This reflects an increase of \$112.8 million GF offset by a \$1.7 million GF decrease to several programs. Adopted increases for higher education include \$35.0 million for a tuition moderation incentive fund; \$22.1 million GF to address base adequacy and enrollment growth; \$31.0 million for research activities, including the continuation of \$20.8 million begun in the 2006-08 biennium for research support at public colleges and universities; \$18.2 million GF in undergraduate student financial aid at public institutions, and \$6.5 million in other new initiatives or program enhancements.

Health and Human Resources. The adopted budget for Health and Human Resources (HHR) provides a net increase of \$564.8 million GF and \$496.2 million NGF compared to the adjusted base budget. Almost 83 percent of the increased spending is required to comply with federal and state mandates to meet caseload and cost increases, and maintain services at current levels. Most of this increase is due to caseload and cost increases in Medicaid (\$325.0 million), the Comprehensive Services Act (\$158.6 million), the FAMIS and SCHIP children's health insurance programs (\$27.2 million), and foster care and adoption subsidy programs (\$10.5 million). Spending to maintain services at current levels requires the addition of \$27.2 million GF, primarily due to the loss of federal funds for mandated activities in the Department of Social Services. This includes a total of \$23.9 million GF for child welfare services and \$3.3 million GF for child support enforcement activities.

In addition, \$104.9 million GF is dedicated to four major initiatives including: \$41.6 million to expand mental health services, \$41.6 million to expand mental retardation services, \$13.4 million for child welfare improvements, and \$8.2 million to expand access to health care. The adopted budget also includes \$7.5 million to maintain or improve agency operations and services, and \$1.7 million for other service expansions.

About 82 percent of the general fund spending reductions in Health and Human Resources are derived primarily from four savings strategies: cost containment actions in the Medicaid program (\$41.2 million), Medicaid savings from increases in nongeneral fund revenues (\$25.1 million), cost containment actions in the Comprehensive Services Act (CSA) program (\$10.1 million), and the use of federal Temporary Assistance to Needy Families (TANF) block grant funds to offset general fund expenditures for eligible programs (\$6.9 million). Significant reductions include:

- \$29.6 million GF by lowering the inflation rate applied to Medicaid inpatient hospital services by 2.7 percent;
- \$11.6 million GF by lowering Medicaid payments for nursing homes by 1.3 percent;
- \$25.1 million GF in savings from increases in net revenue in the Virginia Health Care Fund which offsets general fund spending in the Medicaid program. Two of three revenue sources for the fund are projected to increase over the biennium, including \$4.3 million more from the Tobacco Master Settlement Agreement and \$27.0 million more from prior-year Medicaid recoveries;
- \$5.3 million GF in savings from financial incentives in the CSA program to encourage localities to improve the use of appropriate community care over more costly institutional care of children; and
- \$2.0 million GF in savings from better utilization of Medicaid in serving children in CSA.

Judicial Department. The budget, as adopted, for the Judicial Department for the 2008-10 biennium results in an increase of \$21.7 million GF or 2.8 percent above the adjusted base budget. Major increases include an additional \$10.0 million each year to cover projected

increases in the Criminal Fund; \$7.9 million and 46.0 new FTE positions to strengthen the Magistrate System; and, \$800,000 and 5.0 FTE positions for foreign language interpreters.

General Government. The adopted budget for Administration agencies includes \$23.7 million in new funding for additional jail per diems and \$20.5 million for additional staffing for new jails.

Savings strategies for this Secretariat include \$3.1 million from removing the exemption for overhead cost recovery that was provided to four jails (Northern Neck, Piedmont and Central Virginia Regional Jails and the City of Alexandria Jail), \$3.1 million in savings by requiring localities to fund 50 percent of the liability insurance and bond premiums for constitutional officers, and \$5.4 million in savings from requiring constitutional officers to keep vacant positions open 90 days.

For Finance agencies, the adopted budget includes \$21.3 million GF in the second year for the constitutionally-mandated deposit to the Revenue Stabilization Fund and \$198.1 million in additional debt service payments. The debt service includes \$136.5 million for currently authorized but not yet issued bond projects; \$17.3 million for new issuances as part of the capital bond program; \$12.9 million for equipment purchases under the Higher Education Equipment Trust Fund (HEETF); and \$16.7 million for capital maintenance reserve projects as part of a five-year revolving fund.

Savings amendments within the secretariat include a reduction of \$16.8 million GF in Department of Accounts Transfer payments to localities from eliminating the distribution payments for wine tax and alcoholic beverage control profits and \$1.3 million GF in savings at the Department of Taxation from changes in the rate structure for services provided by the Virginia Information Technologies Agency.

Compensation. A total of \$285.7 million GF is appropriated for increased employee compensation including: \$171.4 million to support 2.0 percent salary increases in each year for state classified employees, faculty, and state-supported local employees; \$77.6 million GF the second year under Direct Aid for Public Education to support the state's share of a salary increase of 2.0 percent for teachers effective July 1, 2009, \$33.9 million for the increased cost of state employee health insurance; and \$2.8 million for increases in the cost of providing Workers' Compensation insurance for state employees.

Compensation savings of \$138.1 million GF are realized through a series of technical adjustments: \$54.1 million from changes in the assumptions for VRS retirement contributions over thirty years, \$59.0 million from an employer health insurance rate credit, \$18.7 million in savings from reverting to funding early retiree health care on a "pay as you go" basis, and \$6.3 million in savings from VRS group life insurance.

Agriculture and Forestry. The approved amendments to the Agriculture and Forestry secretariat include \$5.8 million in additional general fund dollars compared to the adjusted base budget. The largest spending item is \$1.5 million GF to provide state match for local purchase

of development rights programs. This program is administered by the Office of Farmland Preservation in the Department of Agriculture and Consumer Services.

Also included are actions to shift responsibility for the Department of Charitable Gaming from the Secretary of Administration and merge those operations into VDACS' Office of Consumer Services. As part of this merger, 30.0 FTE positions and \$2.6 million GF each year is shifted to the Department of Agriculture and Consumer Services.

Commerce and Trade. The adopted budget for Commerce and Trade includes \$260.9 million GF and \$1,415.7 million NGF, an increase of \$44.3 million GF and a reduction of \$72.7 million NGF compared to the adjusted base budget. Approximately \$43.3 million of the general fund increase is due to the transfer to the secretariat of several economic development activities that had been previously included in Central Appropriations. Included within these amounts is \$24.2 million in semiconductor manufacturing incentive grants payments, \$15.1 million for the Governor's Development Opportunity Fund, as well as additional funding for the provisions of the Virginia Investment Partnership Act and the Governor's Motion Picture Opportunity Fund.

In addition to these efforts, the adopted budget includes \$14.7 million GF for two large economic development projects budgeted in Central Appropriations. This includes \$4.0 million in payments to SRI International for locating the Center for Advanced Drug Research in the Shenandoah Valley and \$10.7 million in payments towards a 20-year \$100 million incentive package for the location of a Rolls-Royce aerospace engineering and manufacturing center in Prince George County. Moreover, the adopted budget provides \$27.0 million to prevent the closure of military installations in Hampton Roads, Northern, and Central Virginia.

Natural Resources. The adopted budget for Natural Resources includes an additional \$8.1 million in GF spending or 3.6 percent compared to the adjusted base budget. The adopted budget also includes \$25.7 million in additional NGF spending or 4.5 percent more than the adjusted base budget. Additional GF spending items for the biennium include: \$5.0 million for the preservation of Civil War historic sites, \$3.0 million for combined sewer overflow projects, \$1.5 million in additional support for the Virginia Outdoors Foundation, \$750,000 in additional support for the state parks system, and \$500,000 in additional support for dam safety. Significant NGF spending items include \$20.0 million to support the implementation of agricultural best management practices and \$1.4 million for stormwater management.

Public Safety. The Public Safety budget, as adopted, includes a net GF increase of \$37.9 million, or 1.1 percent more than the adjusted base budget. This total includes increases of \$40.8 million and decreases of \$2.9 million. The adopted budget includes additional GF spending of \$23.8 million for inmate medical costs and \$4.5 million for the Department of Veterans Services to establish the Wounded Warrior program. Nongeneral fund amendments for the Department of Alcoholic Beverage Control include \$36.0 million to purchase merchandise for resale over the biennium and \$9.5 million to replace cash registers and point-of-sale software in all of the ABC stores. In addition, a series of amendments for the Department of State Police totaling \$20.8 million over the biennium are derived from the OxyContin settlement and will be used to

replace and upgrade criminal justice computer systems, augment the State Agencies Radio System (STARS), and equip a new computer forensic laboratory.

Technology. The approved budget for the Technology secretariat includes an increase of \$4.9 million in each year of the biennium to backfill a previously adopted \$4.9 million reduction in funding for the Virginia Information Technologies Agency (VITA). The previously adopted savings were based on assumptions about the information technology cost reductions achieved by VITA. However, VITA had factored these savings into the public-private partnership it established with Northrup Grumman to modernize Virginia's information technology infrastructure. Consequently, the savings no longer exist.

Transportation. The adopted budget for Transportation provides \$9.9 billion for Transportation agencies, including \$81.9 million GF and \$9.8 billion NGF for the biennium. This represents an increase of \$223.5 million NGF over the approved budget for 2006-08. The majority of the adjustments reflect new transportation revenues provided through Chapter 896 of the 2007 Acts of Assembly (HB3202) including revenues generated from increased vehicle registration fees, an increased tax rate on diesel, and the transfer of one-third of insurance premium tax revenues into the Transportation Trust Fund. Language included in the Act specifically excludes revenues generated through abusive driver fees, which were repealed by the 2008 General Assembly. The budget for the Department of Transportation includes authorization for the issuance of new Commonwealth Transportation Bonds of \$180.0 million in the second year to replace a like amount of general funds. These funds were part of the \$500.0 million in anticipated general fund surplus revenues included in the 2007 Transportation Initiative and provided in Chapter 847 of the 2007 Acts of Assembly (HB1650).

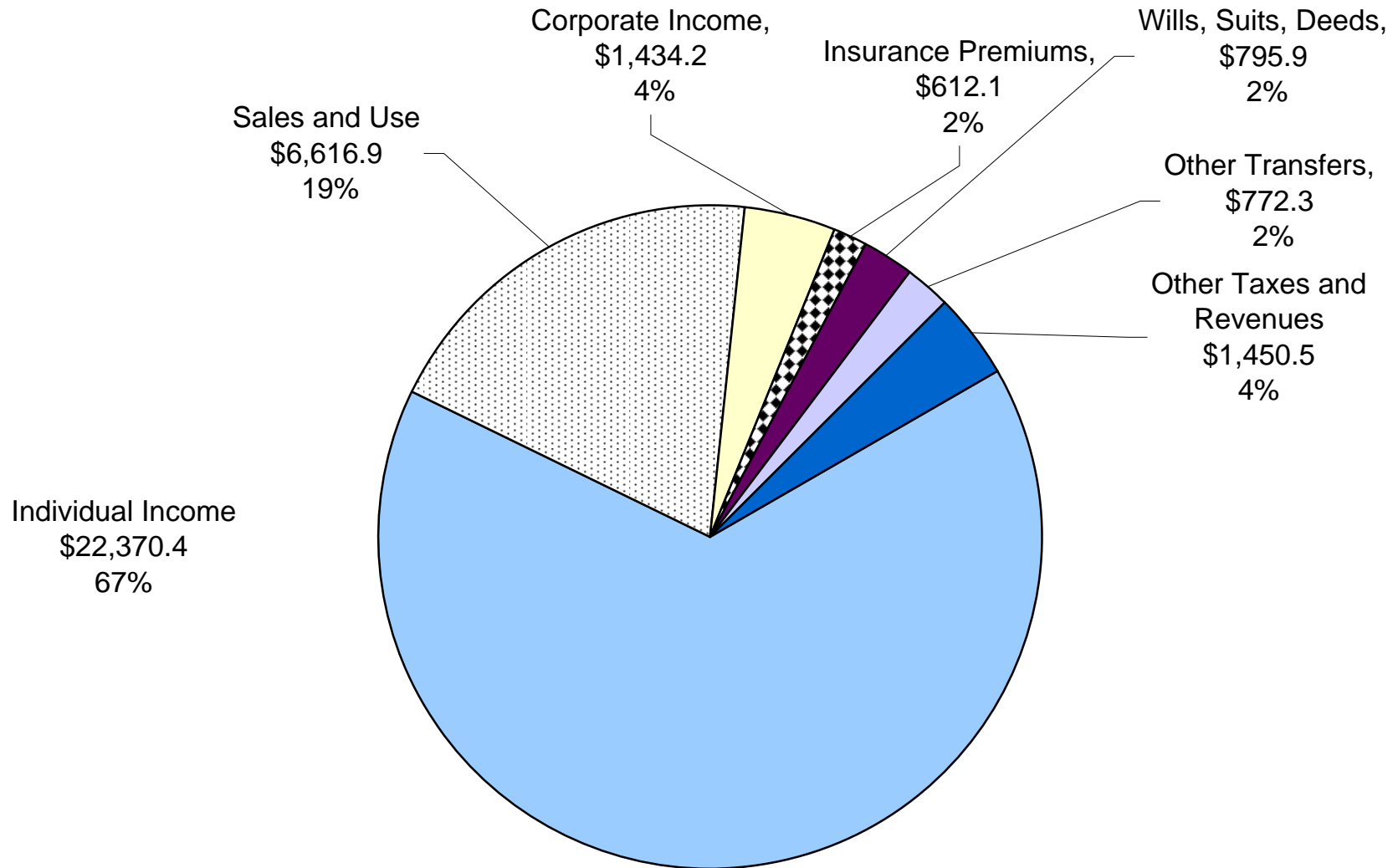
Independent Agencies. The approved budget for Independent Agencies includes \$40.8 million in additional nongeneral fund appropriations. The budget increases the State Corporation Commission's budget by \$18.8 million NGF to reflect higher projections for the uninsured motorist fund. It also provides \$12.9 million NGF to the Virginia Retirement System (VRS) for a VRS modernization project and \$6.5 million NGF to move the administration of certain investment assets from external fund managers to in-house staff. In addition to these amendments, an adjustment to the base budget for the Virginia College Savings Plan provides \$75.0 million in additional NGF to reflect estimated payments from the fund in the 2008-10 biennium.

Capital Outlay. The adopted budget contains \$598.2 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). An additional \$1,507.8 million for projects funded with tax-supported bonds are found in the bond bills approved in the 2008 Special Session I.

General fund supported projects include \$1,641.6 million for new construction and renovation projects, \$69.6 million to provide equipment for buildings scheduled to be completed during the biennium, \$135.9 for property and easement acquisitions, \$52.1 million for cost overruns on previously approved projects, and \$46.5 million for planning.

2008-10 General Fund Revenues = \$34,052.3

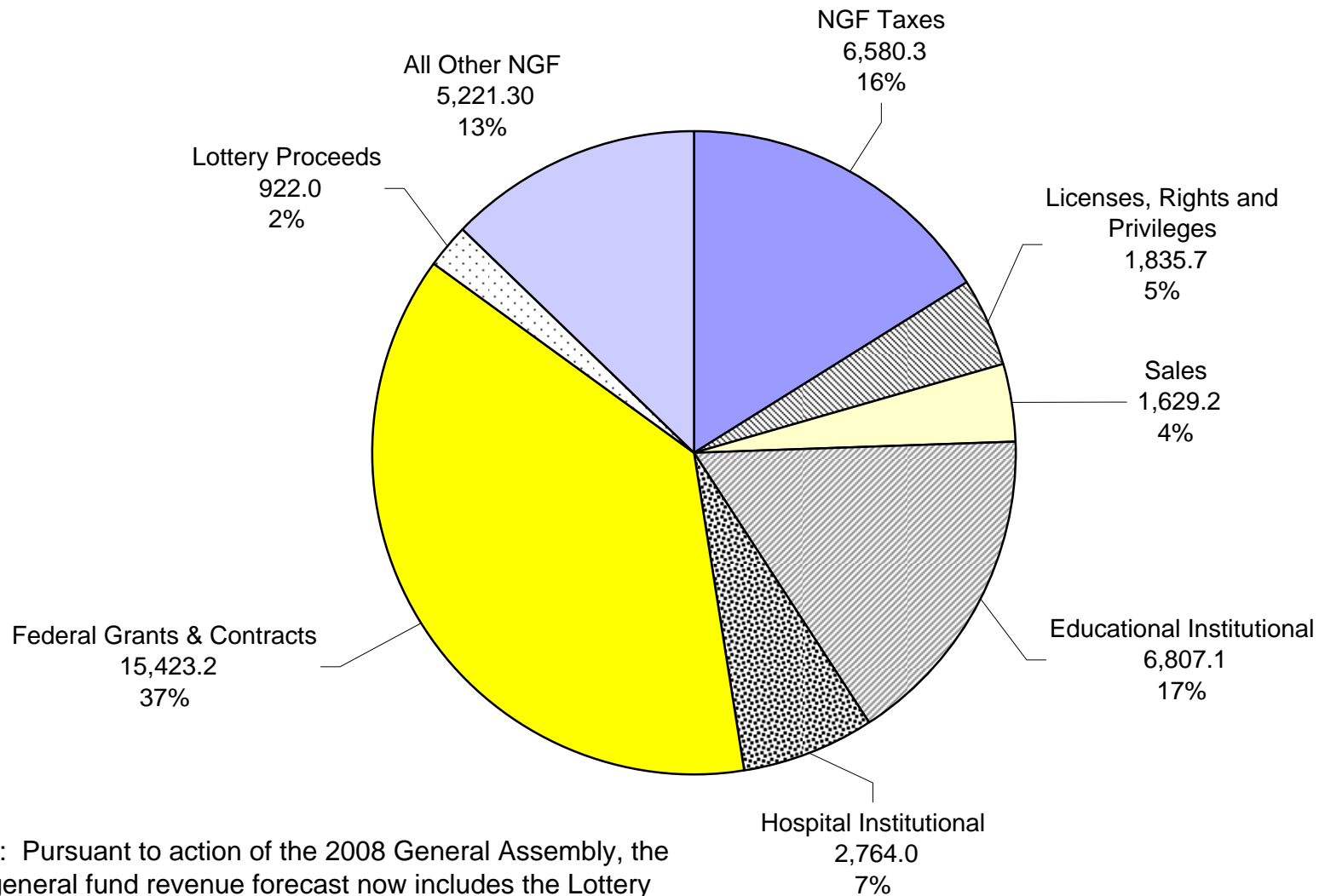
Chapter 879, as Adopted
(\$ in millions)



Note: Pursuant to action of the 2008 General Assembly, the Lottery Proceeds Fund is now recognized in the nongeneral fund revenue forecast.

2008-10 Nongeneral Fund Revenues = \$41,182.8

Chapter 879, as Adopted
(\$ in millions)



Note: Pursuant to action of the 2008 General Assembly, the nongeneral fund revenue forecast now includes the Lottery Proceeds Fund.