

**SENATE OF VIRGINIA**

# **Senate Finance Committee**

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## **Overview of Proposed Budget Amendments**

**SB 850, as Introduced**

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**January 15, 2009**

# Presentation Outline

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- Resources
- K-12 Public Education
- Higher Education
- Health and Human Resources
- Public Safety
- Transportation
- Econ. Development and Nat. Resources
- General Government
- Capital Outlay

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# Resources

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# Closing the Budget Gap in FY 2009 and FY 2010: Scope of the Problem

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(\$ in millions)	Biennial
<b>Revenue Shortfall</b>	
October Revenue Forecast	(\$2,471.4)
November <i>Additional</i> Reduction	(\$368.2)
Technical Changes/Transfers	<u>(\$64.6)</u>
<b>Total Revenue Shortfall</b>	<b>(\$2,904.2)</b>
Required Net New Spending	\$310.5
<b>Total Budget Shortfall</b>	<b>(\$3,214.7)</b>

# Actions to Close the Budget Gap

	FY 2009	FY 2010	Total
<b>Shortfall</b>	<b>\$1,256.5</b>	<b>\$1,958.2</b>	<b>\$3,214.7</b>
<b>Revenue Actions</b>			
Rainy Day Fund Withdrawal	\$490.0	\$0.0	\$490.0
Tax Policy Changes	0.0	140.6	140.6
Balances and Transfers	89.5	93.4	182.9
<b>Budget Actions</b>			
October Budget Reductions	\$228.3	\$364.0	\$592.3
Targeted Reductions	230.4	699.4	929.8
Bond GF Capital Outlay	250.0	100.0	350.0
Eliminate 2% Salary Increases	44.5	197.8	242.3
Health Care Fund - Tobacco Tax Offset	0.0	154.9	154.9
Balances, Other	107.0	35.9	142.9
<b>TOTAL</b>	<b>\$1,439.7</b>	<b>\$1,786.0</b>	<b>\$3,225.7</b>
<b>Balance Forward</b>	<b>\$183.2</b>	<b>(\$172.2)</b>	<b>\$11.0</b>

# Changes in GF Revenue Forecast

*(Incorporating tax policy changes in SB 850 as introduced)*  
Economic growth of -2.8% and 3.0%; with tax policy -4.8% and 4.0%

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(\$ in millions)	FY 2009	FY 2010
Income Tax Withholding	(\$266.7)	(\$542.2)
Income Tax Non-withholding	(436.0)	(693.6)
Tax Refunds	(28.8)	30.1
Corporate	(21.0)	0.8
Sales Tax	(214.8)	(224.6)
Wills, Suits, Deeds (includes Recordation)	(82.7)	(117.0)
Insurance Premiums	(37.3)	(34.2)
Other	12.7	12.6
<b>Net GF Revenue Change</b>	<b>(\$1,074.6)</b>	<b>(\$1,568.1)</b>

# Proposed GF Tax Policy Changes

(Included both in budget bill and freestanding legislation)

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(\$ in millions)	
Eliminate sales tax dealer discount (4% if monthly sales < \$62,500; 3% if monthly sales between \$62,501 and \$208,000; 2 % if monthly sales > \$208,000)	\$64.3
Delay to future year one-half of the Land Preservation tax credit that taxpayer can claim against TY 2010 liability	50.0
Eliminate corporate Real Estate Investment Trust (REIT) tax loophole for non-financial institutions.	10.0
Advance federal fixed date conformity to December 31, 2008	7.7
Retain 2/3rds of Circuit Court Clerks' excess fees (above cost of office operations) rather than 1/3rd	6.0
Sales tax from proposed increase in NGF cigarette tax	2.0
Energy tax credit and energy sales tax exemption	(2.2)

# Enhanced Tax Compliance

<b>(\$ in millions)</b>	
Proposed addition of 55 new tax compliance audit staff	(\$ 5.8)
Increased estimate of tax compliance revenue collections	<u>22.9</u>
Net benefit:	\$17.1
Note: Last tax compliance initiative was 2003 session when 90.5 positions were added and a tax amnesty program was approved.	

# Major Transfer Actions

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(\$ in millions)	
Rainy Day Fund Withdrawal	\$490.0
UVA auxiliary/hospital balances transferred to GF	48.9
Radford auxiliary balances transferred to GF	7.1
MH&MR Special Fund balance	15.1
Child Support Enforcement balance	19.6
DMV Uninsured Motorists Fund	8.2
Miscellaneous special/NGF balances	31.4

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# **K-12 Public Education**

# Overview of Public Education

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- Governor's proposed amendments to Direct Aid to Public Education result in a net **decrease of \$691.9 million GF** when compared to Chapter 879, 2008 regular session.
- The majority of GF savings occur in FY 2010.
- Of this amount, \$145.8 million GF of the decrease relates to technical adjustments and \$340.9 million GF reflects a policy change regarding a funding cap for support positions.

# Summary of K-12 Proposed Amendments

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<b>GF Amendments for the 2008-10 Biennium - (\$ in millions)</b>	
<i>Correction of Spec. Ed. Child Count and 2008 Triennial Census Data</i>	\$11.5
<i>Revised Sales Tax Revenue Estimates</i>	(74.2)
<i>Adjust Programs for Enrollment, Participation, and Other Cost Factors</i>	(83.1)
Sales Tax Revenue from Proposed Tax Policy Change	9.2
Reduce Supplemental Assistance Programs	(0.4)
Closure of State-Operated Facilities	(1.9)
Retiree Health Care Credit (RHCC) & Group Life (GL) Rates (OPEB)	(2.7)
Eliminate School Construction Grants	(27.5)
Adjust Literary Fund Transfers for VRS	(54.4)
Reassign Programs Funded by Lottery Proceeds Fund	(55.8)
Eliminate 2.0% Salary Increase	(71.6)
Implement Funding Cap for Support Positions	(340.9)
<b>Total</b>	<b>(\$691.8)</b>

# Decreases – Technical Updates

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- **Revised ADM Enrollment Forecast/Actual Fall 2008 Membership**
  - **FY 09: Net savings of \$31.2 million;** 4,717 fewer students than projected in Ch. 879
  - **FY 10: Net savings of \$42.0 million;** 4,154 fewer student than in Ch. 879
- **Update for Other Child Counts, Participation, & Other Factors**
  - Savings of \$4.5 million the first year and \$5.4 million the second year across programs such as ESL, Summer School, Special Education, School Breakfast, and Governor’s Schools.
- **Revised Sales Tax for Education Forecast (includes tax policy changes)**
  - **FY 09 = \$1,126.2 million:** -\$68.5 million in sales tax for education increases Basic Aid \$38.5 million, for a **net decrease to localities of \$30.0 million.**
  - **FY 10 = \$1,175.1 million for FY08:** -\$80.1 million results in a Basic Aid increase of \$45.1 million, for a **net decrease of \$35.0 million.**
- **Revised Lottery Forecast**
  - In October the Lottery Board adopted a revised forecast of \$430.5 million in the first year and \$430.2 the second year, a decrease of \$30.5 million the first year and \$30.8 million the second year.

# Policy Changes: Support Position Funding Cap

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- Proposed policy change will reduce funding \$340.9 GF million in FY 2010.
  - Some of the deduction is mitigated by a \$60.9 million Funding Loss Supplement.
- Establishes a funding cap based on the ratio of the total number of funded SOQ support positions relative to the number of funded instructional-based SOQ positions.
  - The cap is based on the ratio of one support position per 4.03 SOQ funded instructional positions.
  - This ratio is based on a linear weighted average of the latest three fiscal years of SOQ recognized instructional and support positions.
  - By applying the 1 to 4.03 ratio, funding is provided for the affected support positions at a rate of 18.71 positions per 1,000 students in ADM.
    - This position funding level was determined by applying the one support position to a 4.03 instructional position ratio to the estimated 75.39 SOQ instructional positions per 1,000 students in FY 2010.
  - The funding cap is not applied to the following support positions: division superintendent, school board members, school nurses, or school bus drivers.

# Policy Changes: Lottery Funded Programs

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- Currently, Lottery funds are distributed directly to school divisions for 10 programs:
  - Remedial Summer School, Foster Care, Enrollment Loss, At-Risk, VPI, Early Reading Intervention, Mentor Teacher, K-3 Class Size Reduction, School Breakfast, and SOL Algebra Readiness.
- After the state's share of these programs is funded, the balance is distributed based on a per pupil basis via the Additional Support for School Construction and Operating Costs account.
- The budget proposes two policy changes for FY 2010 that reallocate all of the Lottery funds in the Additional Support for School Construction and Operating Costs Account.
  - Reassigns six program accounts previously funded with general funds: Alternative Education, ISAEP, Special Education - Regional Tuition, Vocational Education - Categorical, NCLB/ EFAL, and Project Graduation.
    - Moves Remedial Summer School and Enrollment Loss accounts back into the general fund.
    - The net effect of this proposal is a \$55.8 million GF savings the second year.
  - Redirects the remaining \$60.9 million for a one-time Funding Loss Supplement as part of the Governor's proposal to cap the cost of support positions.
    - The payment would limit the per pupil reduction to a maximum of \$403.90 per pupil in FY 2010.

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# Higher Education

# Overview of Higher Education

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- Governor's proposed amendments result in a net **decrease of \$309.7 million GF**, or a **8.0% decrease** over the original appropriation.
  - **An additional net decrease of \$22.4 million GF** is budgeted under Central Appropriations.
- Higher education institutions received reductions of \$86.1 million GF in FY 2009 and \$210.1 million GF in FY 2010.
  - Reductions ranged from 5 to 7 % in FY 2009 and were 15% for 4-year institutions and 10% for 2-year institutions in FY 2010.

# Summary of Proposed Amendments

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<b>Major GF Actions for the 2008-10 Biennium - (\$ in millions)</b>	
Across-the-Board Reductions to Colleges and Universities	(\$296.3)
Elimination of Tuition Moderation Incentive Funding	(18.8)
Across-the-Board Reductions to Affiliated Institutions	(14.6)
Elimination of Eminent Scholars Program	(6.0)
Elimination of Pay Practice Funding	(2.2)
Phase-out TAG Support for Graduate Programs	(2.1)
Transfer Autism Program at VCU to HHR	(0.9)
Undergraduate Student Financial Aid	25.9
Various Program Enhancements	5.2
<b>Total</b>	<b>(\$309.7)</b>

# Overview of Higher Education (continued)

- Affiliated higher education agencies received reductions of \$7.6 million GF in FY 2009 and \$7.0 million GF in FY 2010.

<b>Affiliated Higher Education Institutions – FY 2010 Reductions</b>		
<b>Institution</b>	<b>FY 2010 \$ Reduction</b>	<b>FY 2010 % Reduction</b>
VA Inst. Of Marine Science	(\$2,242,975)	10.6%
VA Tech Extension	(2,307,994)	3.4%
VA State Extension	(26,542)	0.6%
Southwest VA Higher Ed. Center	(215,499)	10.0%
Southern VA Higher Ed. Center	(215,166)	10.0%
Roanoke Higher Ed. Center	(131,839)	10.0%
Inst. For Adv. Learning and Res.	(656,060)	10.0%
New College Institute	(111,000)	6.4%
Jefferson Labs	(225,469)	15%
State Council for Higher Ed. In VA	(373,858)	8.5%
Eastern VA Medical School	(500,000)	2.9%
<b>Total</b>	<b>(\$7,006,402)</b>	

# Various Program Enhancements

<b>Agency</b>	<b>Program</b>	<b>FY 2008</b>
ODU	Continue Modeling & Simulation Funding	\$2,099,838
VSU	Manufacturing & Logistics Program Increase	1,500,000
UVA	Fund Health Insurance Premium Increase	1,132,304
VCCS	Fund New Equipment Lease	271,932
LU	Create Nursing Program	240,442
<b>Total</b>		<b>\$5,244,516</b>

# Other Actions

<b>Higher Education Actions in Central Accounts - (\$ in millions)</b>	
Elimination of Faculty Salary pay raise in FY 2009 and FY 2010	(\$37.0)
Provide funding for higher education restructuring incentives in FY 2010	13.3
Increase funding for the Two-Year College Transfer grant	1.3
<b>Total</b>	<b>(\$22.4)</b>

- **Restructuring Language**

- Proposes several changes to the annual assessment of institutional performance required under the Higher Education Restructuring Act.
  - Requiring both annual and biennial performance measures,
  - revising affordability measures around graduation rates and financial aid, and,
  - redefining the administrative and financial measures depending upon the level of autonomy in which each institution operates.

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# Health and Human Resources

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# Overview of Health & Human Resources

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- Governor's proposed amendments result in a net **decrease of \$222.1 million GF** or a **reduction of 2.6%** compared to Chapter 879.
  - New general fund spending of \$296.1 million is offset by reductions of \$518.2 million.
  - Additional biennial savings of \$65.2 million are achieved through agency balances and transfers to the general fund.

# Summary of Proposed Amendments

<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>		
	<b>\$</b>	<b>FY10 %</b>
Department of Medical Assistance Services	(85.4)	(3.4)
Department of MH, MR and SA Services	(51.3)	(4.5)
Department of Social Services	(44.1)	(5.2)
Department of Health	(19.7)	(7.0)
Comprehensive Services Act for Youth & Families	(13.0)	(2.1)
Dept. of Rehab Services/Woodrow Wilson Center	(7.5)	(10.2)
All Other HHR Agencies	(1.1)	(2.2)
<b>Total</b>	<b>(\$221.1)</b>	<b>(3.8)</b>

# Department of Medical Assistance Services

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<b>Major GF Increases for the 2008-10 Biennium - (\$ in millions)</b>	
Medicaid Forecast*	\$268.4
FAMIS and SCHIP Forecast	11.7
Adjust funding for Virginia Health Care Fund	6.7
Adjust Funding for Involuntary Mental Commitments	1.8
Increase Consumer-directed Personal Care Rates by 3%	1.7
<b>Total</b>	<b>\$290.3</b>
* Already reflects a GF reduction of \$57.7 million for nursing homes, hospitals, psychiatric facilities and managed care organizations included in the proposed budget.	

# Department of Medical Assistance Services

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<b>Major GF Decreases for the 2008-10 Biennium - (\$ in millions)</b>	
Tobacco tax increase – offsets Medicaid state share	(\$154.9)
Provider rate reductions and payment shifts	(151.1)
Long-term and health care service reductions	(46.3)
Other reductions	(15.5)
Administrative reductions and program efficiencies	(7.9)
<b>Total</b>	<b>(\$375.7)</b>

# DMAS (Provider Rate Changes)

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- Medicaid reimbursements are delayed by one week for all providers (\$25.0 million) and shifted from FY 2009 to FY 2010 for hospitals, managed care organizations and the federal government (\$101.5 million). In addition:
  - Hospital reimbursement rates are reduced for inpatient services, capital costs and psychiatric services (\$21.2 million);
    - Exceptions are made for the state's teaching hospitals and Children's Hospital of the King's Daughter.
  - An MR waiver rate increase is reduced from 3.6 to 2.0 percent in FY 2010 (\$2.2 million).

# DMAS (Long-term Services)

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- Reductions will affect LTC services by:
  - Limiting spending on high-cost waiver recipients (\$9.2 million),
  - Capping enrollment in the E&D waiver (\$5.9 million),
  - Suspending the addition of 200 MR waiver slots (\$5.8 million), and
  - Removing environmental modifications and assistive technology from the E&D and HIV/AIDS waiver programs (\$3.9 million).

# DMAS (Health Care & Other Services)

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- The proposed budget reduces funding for two programs that provide health care services to low-income Virginians including:
  - \$8.6 million by suspending payments to hospitals from the Indigent Health Care Trust Fund, and
  - \$10.9 million by eliminating funding provided to hospitals for the State/Local Hospitalization Program.
- Other substantive changes within Medicaid include the proposed closure of Southeastern Virginia Training Center by June 30, 2009 (net savings of \$8.4 million) and the implementation of a provider tax on ICF/MRs (\$7.1 million).

# Department of MH, MR & SA Services

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<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>	
<b>Spending Increases</b>	
Funding for Autism Services Including Transfer from VCU	\$1.2
<b>Spending Reductions</b>	
Reduction to Community Services Boards	(\$24.8)
Administrative reductions and efficiencies	(13.7)
Service reductions and facility closures	(9.0)
Replace GF Spending with NGF Resources	(5.0)
<b>Net change</b>	<b>(\$51.3)</b>

# Department of MH, MR & SA Services

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- The proposed budget includes a 5% reduction for CSBs equating to \$12.4 million GF each year.
- The budget also includes the closure of the following state facilities or units by June 30, 2009:
  - The Commonwealth Center for Children and Adolescents, a 48-bed, mental health facility located in Staunton (\$6.2 million), and
  - The adolescent unit at the Southwestern Virginia Mental Health Institute, a 16-bed unit located in Marion (\$1.4 million).
- The budget allocates \$2.1 million GF from the proposed closure of the CCCA for children needing inpatient mental health treatment services in private psychiatric facilities.

# Department of Social Services

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<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>	
<b>Spending Increases</b>	
Adjust Funding for Adoption Subsidy Payments	\$2.4
Provide Funding for the Federation of Virginia Food Banks	1.0
Relocate DSS Central Office	0.8
<b>Spending Reductions</b>	
Replace GF Spending with NGF Resources	(39.3)
Administrative reductions and efficiencies	(7.0)
Reduce foster care rate increase in FY 2010	(1.2)
Reduce funding for community-based service providers	(0.7)
<b>Net change</b>	<b>(\$44.1)</b>

# Department of Social Services

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- General fund spending reductions in DSS are largely accomplished by tapping federal funding, primarily TANF block grant funds, for existing services.
  - Staff at DSS comprehensively reviewed prior claims for TANF and child care expenditures, leveraging \$26.9 million in unanticipated revenues.
- Other reductions within DSS include \$3.0 million from 80 agency layoffs, \$1.5 million by suspending an automation initiative and \$1.4 million by adjusting spending for the auxiliary grant program.

# Other HHR Agencies

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- Other spending reductions within HHR include:
  - \$13.0 million to reflect lower caseload growth for the Comprehensive Services Act program,
  - \$16.1 million from service reductions and program efficiencies within the Department of Health, and
  - \$3.4 million by reducing vocational rehabilitation services for persons with physical disabilities.

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# Public Safety

# Overview of Public Safety

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- Governor's proposed amendments result in a net **decrease of \$124.3 million GF** (including a **4.3% decrease in FY 2010** below Chapter 879 of 2008).
  - **This includes increases of \$8.6 million and reductions of \$132.9 million (for the biennium).**
- The biennial budget for public safety, as introduced with these reductions, totals \$3,536 million GF, or 10.9% of the proposed operating budget.
- The original total of 22,422 FTE positions is reduced by a net 828 FTE (or 3.7%); 381 layoffs expected.

# Exemptions

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- Almost 2/3 of the budget for public safety was exempt from reductions (with certain exceptions\*):
  - Correctional security and medical (adult & juvenile);
  - Juvenile correctional education;
  - Block grant for local/regional juvenile detention facilities;
  - State Police (highway patrol and investigation);
  - Local-responsible community corrections, sexual assault programs, school resource officers; and
  - National Guard tuition assistance.

\* *Exceptions: prison closures, delay of state trooper basic schools*

# Net GF Reductions in FY 2010

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<b>Major Public Safety Agencies</b>	<b>\$ millions GF</b>	<b>%</b>
Department of Corrections	(\$41.8)	(4.1%)
Department of Juvenile Justice	(\$11.1)	(5.1%)
Department of Criminal Justice Services	(\$12.8)	(5.2%)
Department of State Police	(\$6.1)	(2.8%)
Department of Correctional Education	(\$3.0)	(4.9%)
Department of Military Affairs	(\$1.0)	(8.7%)
Department of Emergency Management	(\$0.8)	(14.9%)
Department of Forensic Science	(\$0.8)	(2.2%)
Department of Veterans Services	(\$0.6)	(7.4%)

# Recommended Increases

<b>Agency</b>	<b>Description</b>	<b>\$ Millions GF</b>
DOC	Increased inmate medical costs	\$3.1
DCJS	Expanded pre-trial release programs	\$3.0
DFS	NOVA forensic laboratory	\$1.2
DCE	Additional prison teachers (10 FTE)	\$0.8
DOC	Additional probation officers (wage)	\$0.4
DMA	National Guard tuition assistance	\$0.2
	<b>TOTAL INCREASES (Biennial Total)</b>	<b>\$8.6</b>

# Corrections - Reductions

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- Six facilities closed (1,460 beds) saving \$35 million GF and eliminating 524 positions; 253 layoffs expected.
  - Southampton Correctional Center
  - Pulaski Correctional Center
  - Dinwiddie Correctional Field Unit
  - Tazewell Correctional Field Unit
  - Chatham Diversion Center (near Danville)
  - White Post Detention Center (near Winchester)

# Corrections - Reductions

- Community supervision and treatment programs and counseling positions have been reduced, including:

Eleven day reporting centers closed	(\$1.6 million)
Contract funding for transitional therapeutic community substance abuse treatment eliminated	(\$4.1 million)
30 counselor positions eliminated in state correctional facilities (15 layoffs)	(\$1.7 million)

# Offender Population Initiatives

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- Early Release (extends 30 days to 90 days)
- Behavioral Corrections Program (provides option to judges to suspend remainder of sentence following successful completion of 18-month treatment program)
- Correctional Education (10 teachers, \$0.7 million)
- Temporary probation officers (\$0.4 million)
- Pre-trial release programs (\$3.0 million)

# Juvenile Justice - Reductions

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- Close Camp New Hope (\$0.5 million)
- Close Virginia Wilderness Institute (\$2.3 million)
- Eliminate Beaumont transitional program (\$1.7 million)
- Downsize state facilities (\$0.9 million)
- Reduce purchase of community services (\$2.6 million)
- Eliminate 45 positions in local court services units  
(\$4.0 million, 8 layoffs)

# HB 599

- The adopted budget for state aid to localities with police departments (HB 599) was \$205.0 million each year.
- For FY 2009, funding is reduced 3.8 % to \$197.3 million, consistent with the October revenue re-forecast.
- For FY 2010, funding is reduced 7% across-the-board to \$190.7 million.

# State Police

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- Postpones the 115<sup>th</sup> and 116<sup>th</sup> Basic Trooper Schools to April and November, 2009 (\$3.0 million GF).
- Holds 27 civilian positions vacant (\$3.3 million GF).
- Substitutes \$1.6 million NGF from the Rescue Squad Assistance Fund for an equal amount of GF for med-flight program (by raising \$4 for life to \$4.25).
- Adds \$1.0 million NGF for instant background checks for firearms purchases (by raising the fee from \$2 to \$5).

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# Transportation

# Overview of Transportation

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- The Governor's proposed amendments **reduce** Transportation revenues by **\$670.1 million** for the biennium, approximately 7 percent
  - Of these reductions, **\$574.2 million** is from the Department of Transportation
- Approximately 10 percent reduction in staffing, more than 1,100 FTE positions
- Continues to provide \$40.0 million GF each year to the Route 58 Corridor Development Fund from recordation taxes

# Summary of Proposed Amendments

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<b>NGF Reductions for the 2006-08 Biennium - (\$ in millions)</b>	
Department of Transportation	(\$574.2)
Department of Rail and Public Transportation	(40.8)
Department of Motor Vehicles	(10.5)
Department of Aviation	(6.2)
Virginia Port Authority	(28.4)
<b>Total</b>	<b>(\$670.1)</b>

# Other Initiatives

49

- Provides language allowing the Department of Planning and Budget to allocate bond revenues pursuant to HB 3202 (2007) as revenues permit
  - Revenue from Recordation Taxes has been insufficient to support issuance
- Delays Port Authority issuance of Craney Island Marine Terminal construction bonds until FY 2011
- Slows implementation of DMV information systems redesign for Real ID
  - \$8.2 million in Uninsured Motorist Funds transferred to GF

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# **Economic Development and Natural Resources**

# Overview of Commerce & Trade

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- The proposed amendments provide a net GF **reduction** of **\$17.6 million**
- An **increase** of **\$5.0 million** for the Governor's Opportunity Fund is proposed for FY2010
- Provides an **increase** of **\$2.0 million** ,for Clean Energy Manufacturing Grants
  - Expands eligibility for manufacturers under the Solar Photovoltaic Manufacturing incentive program
- Realizes a **reduction** of **\$8.8 million** in savings from Semiconductor Manufacturing Performance Grants
- Reductions to other economic development incentive grants, including the Virginia Investment Partnership and Enterprise Zone programs

# Summary of Proposed Amendments

<b>Major GF <i>Increases</i> for the 2006-08 Biennium (\$ in millions)</b>	
Governor's Opportunity Fund	\$5.0
Clean Energy Manufacturing	2.0
Fort Monroe FADA	1.6
Mortgage Counseling Assistance Program	0.3
<b>Total</b>	<b>\$8.9</b>

# Summary of Proposed Amendments

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<b>Major GF Decreases for the 2006-08 Biennium - (\$ in millions)</b>	
Semiconductor Manufacturer Incentives (Secretary's Office)	(\$8.8)
Virginia Investment Partnership (Secretary's Office)	(1.5)
Enterprise Zone Grant Program (DHCD)	(3.3)
Indoor Plumbing Program / Water Construction (DHCD)	(3.7)
Virginia Economic Development Partnership (VEDP)	(2.0)
Virginia Tourism Authority (VEDP)	(1.6)
Virginia Jobs Investment Grants (DBA)	(0.6)
Homeless Programs (DHCD)	(0.4)
Planning District Commissions (DHCD)	(0.3)
<b>Total</b>	<b>(\$22.2)</b>

# Other Initiatives

54

- Merges the Human Rights Council with the Department of Labor and Industry.
  - Does not result in GF savings or staffing reductions.
- Increases federal Housing and Urban Development funding for Community Development Services by \$10.4 million.
- Increases federal unemployment insurance benefits by \$368.8 million.

# Overview of Agriculture & Forestry

55

- Governor's proposed amendments result in a **decrease of \$9.1 million GF** or an **8.9% decrease** over the budget approved in 2008.
  - **\$4.9 million GF** of this decrease is in the Department of Agriculture and Consumer Services while **\$4.2 million** is in the Department of Forestry
- There are no GF increases in the Agriculture & Forestry Secretariat.

# Agriculture and Forestry Reductions

<b>Agency</b>	<b>Program</b>	<b>Biennial Savings (\$ in millions)</b>
VDACS	Eliminate 19 FTE Positions in Various Programs	(\$2.1)
VDACS	Purchase of Development Rights Matching Grants	(\$0.5)
Forestry	Eliminate 23 Vacant FTE Positions in Various Programs	(\$1.4)
Forestry	Consolidate Regional Offices from 6 to 3	(\$0.6)
Forestry	Defer Heavy Equipment Purchase, Eliminate Commuting w/Fire Fighting Vehicles	(\$0.3)

# Overview of Natural Resources

57

- Governor's proposed amendments include a **decrease of \$24.0 million GF** over the budget approved in 2008.
  - General Fund reductions for Natural Resources agencies' operations average about 11%
- The proposed budget provides an **\$11.5 million GF increase** for water quality-related initiatives.

# Natural Resource Decreases

<b>Agency</b>	<b>Program</b>	<b>Biennial Savings (\$ in millions)</b>
DEQ	Eliminate 59 FTE Positions in various programs	(\$7.1)
DEQ	Reduce Match for Wastewater Revolving Loan Fund	(\$3.0)
DEQ	Transfer Waste Tire Fund Balance to GF	(\$1.0)
DCR	Reduce State Park Operating Funds	(\$4.4)
DCR	SWCD Dam Repair, Water Quality Implementation and Operating Funds	(\$2.7)
DCR	Reduce CREP Matching Funds	(\$1.1)
MRC	Reduce Funding for Oyster Replenishment	(\$0.9)

# Water Quality Initiatives

59

- Governor's proposed amendments include a **\$20.0 million increase** to be deposited in the Natural Resources Commitment Fund for Agricultural Best Management Practices that support water quality:
  - \$10.0 million GF
  - \$10.0 million NGF (\$5.2 million from the WQIF Reserve Fund and \$4.8 million from WQIF Nonpoint Source interest earnings)
- The proposed budget provides a **\$1.5 million GF increase** representing the statutory Water Quality Improvement Fund deposit:
  - \$1.1 million in DCR for Nonpoint Source pollution control
  - \$0.4 million in DEQ for Point Source pollution control

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# General Government

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# Summary of Proposed Amendments Judicial

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- The **net increase** for the Judicial Department for the biennium is \$7.0 million, or 0.9 %, raising the biennial budget for the Judicial Department to \$817.5 million GF.
- The introduced budget **adds** \$5.4 million GF each year for the Criminal Fund, and \$0.6 million GF each year for the judicial portion of the Involuntary Mental Commitment Fund.
- The introduced budget also includes a **reversion clearing account**, with GF reductions of -\$2.0 million in FY 2009 and -\$3.0 million in 2010, as proposed by the Chief Justice.

# Judicial - Reductions

<b>Agency</b>	<b>Description</b>	<b>\$ millions (GF)</b>
Courts	Delay hiring positions by 90 days	(\$2.4)
	Eliminate three positions (3 layoffs)	(\$0.4)
	District court judges leave balances	(\$0.4)
	Education and training expenses	(\$0.6)
	Other reductions	(\$0.3)
JIRC	Judicial Inquiry and Review Comm.	(<\$0.1)
VCSC	Virginia Criminal Sentencing Comm.	(<\$0.1)
IDC	Indigent Defense Commission	(\$0.9)
	<b>TOTAL Judicial Department</b>	<b>(\$5.0)</b>

# Summary of Proposed Amendments Administration

63

<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>		
<b>Agency</b>	<b>\$</b>	<b>% FY10</b>
Secretary of Administration	(\$ 1.0)	(8.4%)
Compensation Board	(55.9)	(7.3%)
Department of Employee Dispute Resolution	(1.3)	(100.0%)
Department of General Services	(2.8)	(8.4%)
Department of Human Resource Management	(0.6)	3.3%
Human Rights Council	(0.8)	(100.0%)
Department of Minority Business Enterprise	(0.2)	(12.4%)
State Board of Elections	(0.7)	(3.5%)
<b>Total: Office of Administration</b>	<b>(\$63.4)</b>	<b>(7.4%)</b>

# Summary of Proposed Amendments Compensation Board

64

Major GF Changes for the 2008-10 Biennium - (\$ in millions)		
Program	\$	% FY10
Administration	\$0.3	24.7%
Constitutional Officers' Liability Insurance	(2.1)	(62.0%)
Sheriffs	(37.8)	(7.3%)
Commonwealth's Attorneys	(4.7)	(7.0%)
Clerks of the Circuit Courts	(3.9)	(9.5%)
Jail Per diem Payments	(5.6)	(7.0%)
Treasurers	(0.7)	(3.7%)
Directors of Finance	(0.5)	(7.1%)
Commissioners of the Revenue	(0.9)	(4.5%)
<b>Total: Compensation Board</b>	<b>(\$55.9)</b>	<b>(7.3%)</b>

# Compensation Board

65

- **Major Reductions**
  - \$43.5 million from reduced funding for constitutional officers (FY10: -7.0% Sheriffs and Commonwealth's Attorneys; 10.0% all others.),
  - \$12.0 million GF from supplanting E-911 funds with general funds to support dispatcher positions, and
  - \$1.5 million GF from supplanting general funds with technology trust fund revenue to support circuit court clerk offices.
- **Major Increase**
  - An additional \$3.5 million GF in the second year for staffing at new jails.

# Summary of Proposed Amendments Finance

66

<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>		
<b>Agency</b>	<b>\$</b>	<b>% FY10</b>
Secretary of Finance	(\$<0.1)	(0.4%)
Department of Accounts	(0.9)	(6.8%)
Department of Accounts Transfer Payments	(4.5)	(3.5%)
Department of Planning and Budget	(2.0)	(12.4%)
Department of Taxation	1.2	1.2%
Department of the Treasury	(0.4)	6.8%
Treasury Board	(14.7)	(0.5%)
<b>Total: Office of Finance</b>	<b>(\$21.3)</b>	<b>(0.7%)</b>

# Department of Taxation

67

- **Tax Compliance**

- An additional \$5.8 million GF is recommended for the Department of Taxation to hire 55 new tax compliance audit staff.
- Additional revenue estimated at \$22.9 million GF is projected to be realized from this initiative.

- **Relocation**

- An additional \$2.1 million GF is recommended to relocate Tax staff to the Main Street Center.

# Summary of Proposed Amendments Central Appropriations

68

<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>		
<b>Program</b>	<b>\$</b>	<b>%</b>
Compensation Supplements	(173.1)	(89.0%)
Employee Benefit Reversion	(32.7)	(27.4%)
Payments for Special & Unanticipated Expenses	(1.9)	(2.9%)
State Agency Reversions	(12.0)	(34.3%)
Transition Support	0.6	N/A
Other Central Appropriations	11.1	53.6%
<b>Total: Central Appropriations</b>	<b>(\$208.0)</b>	<b>(10.8%)</b>

# Overview of Technology

69

- Proposed amendments provide a net GF **reduction** of **\$1.3 million**
- Merges the Virginia Enterprise Applications Partnership into the Virginia Information Technologies Agency.
  - Reassigns selected statutory responsibilities of Chief Information Officer to new Deputy CIO.
  - Does not result in any cost savings.
- Transfers \$12.0 million NGF from the Wireless E-911 Fund to the Compensation Board to support sheriff emergency dispatchers.
- Accelerates \$3.5 million GF from FY10 to FY09 to cover unbudgeted agency technology costs (Central Approps.).

# Summary of Proposed Amendments

70

<b>Major GF <i>Decreases</i> for the 2006-08 Biennium - (\$ in millions)</b>	
Reduce Growth Acceleration Program (ITA)	(\$0.6)
Restructure Innovative Technology Authority (ITA)	(0.5)
Eliminate CTRF Administrative Support (ITA)	(0.2)
Reduce VECTC (ITA)	(0.1)
Reduce Contracted Services (VITA)	(0.7)
<b>Total</b>	<b>(\$2.1)</b>

- These GF reductions are offset by the GF transfer of the VEAP program to VITA.

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# Capital Outlay

# Summary of Proposed Amendments

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<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>			
	<b>GF</b>	<b>GF Bonds</b>	<b>Total</b>
Actions to Balance the Budget	(\$350.0)	\$406.0	\$56.0
New GF Spending	\$0.0	\$44.6	\$44.6
<b>Total: GF Supported Capital</b>	<b>(\$350.0)</b>	<b>\$450.6</b>	<b>\$100.6</b>

# Summary of Proposed Amendments

73

<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>			
	<b>GF</b>	<b>GF Bonds</b>	<b>Total</b>
<b>Actions to Balance the Budget</b>			
Debt for NGF Deposit	\$ 0.0	\$56.0	\$56.0
Supplant 2008 Cash Flow Projects	(100.0)	100.0	0.0
Supplant GF Projects	(250.0)	250.0	0.0
<b>Total: Actions to Balance the Budget</b>	<b>(\$350.0)</b>	<b>\$406.0</b>	<b>\$56.0</b>

# Summary of Proposed Amendments

<b>Major GF Changes for the 2008-10 Biennium - (\$ in millions)</b>			
	<b>GF</b>	<b>GF Bonds</b>	<b>Total</b>
<b>New GF Spending</b>			
Renovations and Improvements	\$0.0	\$6.7	\$6.7
Equipment for Completed Projects	0.0	26.2	26.2
Project Supplements	0.0	11.7	11.7
<b>Total: New GF Spending</b>	<b>\$0.0</b>	<b>\$44.6</b>	<b>\$44.6</b>

# Debt Capacity

- Debt Capacity for the 2009 session is severely limited when compared to recent General Assembly Sessions.
- The Commonwealth's debt capacity may be further eroded in the event of additional general fund revenue reductions.

