

Overview of Amendments to the 2008-10 Budget

The budget as adopted includes strategies to deal with a general fund revenue shortfall of \$3.7 billion for the biennium. The general fund revenue forecast for the biennium was reduced three times since the original 2008-10 budget (Chapter 879 of the 2008 Acts of Assembly) was adopted -- first, in October, 2008; again in the amended budget as introduced in December, 2008; and finally in February, 2009, as a result of the mid-session reforecast.

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 of \$973.6 million in FY 2009 and \$1,540.1 million in FY 2010. This reduction was 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 assumed 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 recommended 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.

Based on January collections and year-to-date general fund revenues, the Governor again lowered the forecast in mid-February by another \$403.2 million in FY 2009 and \$418.3 million in FY 2010. In total, the general fund revenue shortfall for the 2008-2010 biennium is approximately \$3.7 billion. The general fund revenue shortfall, when combined with additional spending requirements of about \$612.0 million, resulted in a biennial budget shortfall totaling approximately \$4.3 billion.

The primary strategies for closing the budget shortfall include:

- Withdrawal in FY 2009 of \$490.0 million from the Revenue Stabilization Fund ("Rainy Day Fund");
- Across-the-board and targeted reductions to general fund agencies and programs totaling \$1,925.4 million, including \$242.3 million from eliminating 2 percent pay increases scheduled for each year of the biennium;
- Supplanting \$350.0 million of general fund capital projects with bonded debt; and
- Use of federal funds provided under the 2009 American Recovery and Reinvestment Act (ARRA), including \$995.6 million from a higher Medicaid federal match rate and additional federal funds for Social Services, and the use of \$109.5 in flexible spending

funds. These federal dollars allowed for a commensurate reduction in general fund spending.

Additional information on the use of ARRA funds is included in each budget section, where applicable, and in the Central Accounts section of this document.

Actions to Close Budget Shortfall (2008-10 Biennial Budget)	
	\$ in millions
Revenue Reduction	\$3,661.1
Additional Spending	<u>614.4</u>
Total Funding Gap	\$4,275.5
Revenue Actions	
Withdrawal from Rainy Day Fund	\$ 490.0
Tax Policy Changes	151.6
Other Revenue Actions	105.4
Transfers and Balances	137.9
Budget Actions	
October Budget Reductions	\$ 592.3
Eliminate 2 percent Salary Increases	242.3
Other Targeted Budget Reductions	1,090.8
Use of ARRA 2009 Flexible Spending	109.5
Enhanced Federal Medicaid Match and Other Federal Funds	995.6
Bond/Use ARRA for Capital Outlay	355.4
Other Budget Balances	<u>54.6</u>
Total Actions	\$4,325.4
Unappropriated GF Balance	\$49.9*
*Governor's vetoes accepted on April 8, 2009 reduce the balance to \$46.6 million.	

In addition to the general fund unappropriated balance of about \$47.0 million, the General Assembly left unallocated roughly \$109.5 million of flexible spending funds provided under the 2009 ARRA. Combined, these funds provide about \$156.5 million in an unappropriated balance to help address any revenue or budget issues in the next biennium.

Revenues

Forecast revisions in the budget presented on December 17, 2008, were based generally on the Global Insight November standard economic outlook that assumed negative GDP for four quarters (July 2008 through June 2009), modified to reflect collections through the first five months of the fiscal year for payroll withholding, sales and recordation taxes. Individual nonwithholding (estimated payments) and corporate tax collections were left unchanged from the October forecast revisions until a mid-session reforecast could reflect actual 4th quarter estimated payments for these two major sources.

The mid-session reforecast submitted on February 16, 2009, made downward revisions to income tax nonwithholding, based on a 20.3 percent drop in 4th quarter nonwithholding payments; payroll withholding, based on a sharp slowdown in withholding payments in the last half of January; and sales tax estimates, resulting from a larger than anticipated contraction in holiday sales. The corporate income tax forecast was unchanged as year-to-date collections were tracking the estimate.

In sum, revisions to the 2008-10 biennial forecast total \$3.7 billion as follows: In October, the Governor submitted a reforecast that lowered the 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 (basis for introduced budget) lowered the biennial estimate by an additional \$387.7 million, bringing the total downward revision to \$2.9 billion, including transfers. The February mid-session reforecast lowered the biennial estimate by an additional \$821.5 million, including transfers, for a total cumulative downward adjustment of \$3.7 billion.

The Governor's mid-session reforecast assumes a revenue decline of 7.3 percent for FY 2009 over actual collections in FY 2008, and revenue growth of 4.0 percent in FY 2010. When all actions of the General Assembly are taken into account, including several revenue measures to help offset the revenue decline, the projected growth rate for FY 2010 is 4.4 percent.

A more complete overview of revenues, along with adopted tax policy changes which add \$151.6 million in revenue are detailed in the Resource section of the summary.

Spending Increases

The adopted budget includes new spending of about \$614.5 million GF, of which more than \$500 million is driven by federal and state mandates and caseload increases.

Major General Fund Spending Increases in Chapter 781, as Adopted
(biennial \$ in millions)

Judicial Department

Circuit Courts

Provide Additional Funding for the Criminal Fund \$8.8

General District Courts

Add Funding to the Involuntary Civil Commitment Fund \$1.2

Administration

Compensation Board

Restoration of Constitutional Officer Funding Reductions \$14.3

Fund Increased Fringe Benefit Costs for Circuit Court Clerks Offices 2.1

Staffing for New or Expanded Local and Regional Jails 1.9

Commerce and Trade

Secretary of Commerce and Trade

Add Funding for Governor's Opportunity Fund \$5.0

Virginia Tourism Authority

Tourism Promotion \$2.5

Education

Public Education

Correct Special Education Data \$6.8

2008 Triennial School Census Update 4.6

National Board Certification Bonuses 1.0

Colleges and Universities

Provide Additional Student Financial Aid for all Institutions \$10.0

Increase Interest Earnings & Credit Card Rebate (Central Accounts) 8.3

Fund ODU Modeling & Simulation Continuation Costs 2.1

Include Program Enhancements at Longwood, NSU, VSU & VCCS 2.0

Increase Funding for UVA Health Insurance Premiums 1.1

State Museums

Provide Operating Support for New Space at the Fine Arts Museum \$2.0

Finance

Department of Accounts

Transfer Payments to Localities \$1.8

Department of Taxation

Fund Enhanced Compliance Initiative \$5.8

Relocate Offices to Main Street Center 2.1

Major General Fund Spending Increases in Chapter 781, as Adopted
(biennial \$ in millions)

Department of the Treasury

Increase Bank Services Fees \$1.5

Treasury Board

Provide Debt Service on Proposed New Debt \$14.7

Health and Human Resources

Department of Medical Assistance Services

Add Funding for Medicaid Utilization and Inflation* \$451.7

Fund FAMIS Utilization and Inflation 8.4

Adjust Funding for the Virginia Health Care Fund 6.7

Increase Funding for Personal Care Service Rates 5.1

Fund SCHIP Utilization and Inflation 3.3

Add 200 MR Waivers on January 1, 2010 2.5

Add Resources for Involuntary Mental Health Commitments 1.8

Add Funds for Virginia Federation of Food Banks 1.0

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 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

Department of Criminal Justice Services

Level Fund HB 599 Second Year \$6.6

Expand Existing Pre-Trial Services Programs 1.5

Department of Forensic Science

Provide Operating Support for Northern Virginia Forensic Laboratory \$1.2

Department of State Police

Provide Support for Med-Flight Operations \$1.0

Major General Fund Spending Increases in Chapter 781, as Adopted
(biennial \$ in millions)

Central Appropriations

Central Appropriations

Add Funding for Interest Earnings and Credit Card Rebates for Institutions of Higher Education	\$8.3
M & O for Capitol and GAB	3.3
GA Restoration: LTC Benefit for VSDP program	3.1

Grand Total	\$614.5
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* This total reflects the Administration's policy decision 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 adopted budget includes general fund spending reductions which are detailed below.

Major General Fund Spending Reductions in Chapter 781, As Adopted (biennial \$ in millions)	
Judicial Department	
Judicial Department Reversion Clearing Account	
Implement Judicial Branch Budget Reductions	(\$5.0)
Cap Reimbursement for Court Appointed Counsel Waivers	(2.0)
Executive Offices	
Office of the Governor	
Reduce Personal Services Cost	(\$1.4)
Attorney General and Department of Law	
Implement Hiring Freeze	(\$3.2)
Administration	
State Compensation Board	
Use E-911 Funds for Sheriffs' Dispatchers	(\$12.0)
Reduce Funding for Jail Per Diems by 7 Percent	(5.6)
Use Revised Estimate for Funding Jail Per Diems	(4.4)
Use Clerks' Technology Funds for Circuit Court Clerks	(1.5)
Department of General Services	
Use NGF for Procurement Administration	(\$2.0)
Department of Human Resources Management	
Use NGF for Administrative Expenses	(\$1.0)
Agriculture and Forestry	
Department of Agriculture and Consumer Services	
Eliminate 19 FTE Positions Throughout the Agency	(\$2.0)
Department of Forestry	
Eliminate 23 FTE Positions Throughout the Agency	(\$1.4)
Commerce and Trade	
Secretary of Commerce and Trade	
Reduce Funding for Semiconductor Manufacturing Grants	(\$8.8)

Major General Fund Spending Reductions in Chapter 781, As Adopted (biennial \$ in millions)

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)

Realize Administrative Efficiencies and Small Program
Reductions (2.0)

Department of Mines, Minerals and Energy

Create Operating Efficiencies, Use NGF, and Restructure Agency
Positions (\$1.9)

Virginia Economic Development Partnership

Implement Across the Board Reductions (\$1.5)

Virginia Tourism Authority

Implement Across the Board Reductions (\$1.6)

Education

Direct Aid to Public Education

Funding Cap for Support Positions* (\$340.9) *

Sales Tax Reforecast and Basic Aid Offset (90.6)

Updated Projected Enrollment, Participation, Etc. (81.0)

Eliminate Planned Salary Increase for FY 2010 (71.6)

Reassign Programs Funded by Lottery Proceeds Fund* (55.8) *

Increase Literary Fund Transfers for Retirement Costs (54.4)

School Construction Grants* (27.5) *

Maintain Assumed Participation for VPI/Reassign Lottery
Programs (11.9)

Group Life and Retiree Health Care Credit Rate Changes (2.7)

**Federal Fiscal Stabilization Funds restore 86.1% of these reductions*

Department of Education (DOE), Central Office Operations

Eliminate Vacant Positions, Layoffs, and Other Personnel Actions (\$4.8)

Supplant General Funds with Federal Funds (2.5)

Higher Education

Colleges and Universities

Reduce GF Support for 17 Institutions (\$296.2) **

Eliminate Tuition Moderation Fund Support (18.8)

Eliminate Pay Practice Funding (2.2)

Major General Fund Spending Reductions in Chapter 781, As Adopted (biennial \$ in millions)

Reduce GF Support for Commonwealth Technology Research Fund in the Second Year	(1.0)	***
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***Federal Education Fiscal Stabilization Funds restore 60.3% of these reductions in FY 2010*

****Federal Flexible Fiscal Stabilization Funds restore 100% of these reductions in FY 2010*

Affiliated Institutions and Higher Education Centers

Reduce GF Support	(\$14.6)
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Reduce Eminent Scholars Program (partially restored by the General Assembly)	(2.0)
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Phase-out TAG Support for Graduate Students (except health-related degree programs)	(1.3)
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State Museums and Other Education Agencies

Reduce GF Support	(\$10.5)
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Finance

Department of Accounts Transfer payments

Fund Line-of-Duty Act as Pay-as-You-Go	(\$5.5)
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Department of Planning and Budget

Reduce School Efficiency Reviews	(\$1.4)
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Department of Taxation

Reduce VITA Costs	(\$3.5)
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Treasury Board

Changes in Issuance and Interest Rates on Current Debt	(\$18.8)
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Increase Capital Fee for Out-of-State Students	(10.0)
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Delay HEETF Issuance	(9.7)
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Defer Payment of Principle on VCBA Variable Rate Bonds	(8.6)
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Jail Project Reimbursements Supplant GF with ARRA Funds	(2.6)
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Health and Human Resources

Comprehensive Services Act for At-Risk Youth and Families

Reduce Funding for Anticipated Caseload Growth	(\$13.0)
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Reduce Funding for Out of State Placements	(2.0)
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Eliminate CSA Infrastructure Grants	(1.0)
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Department of Health

Eliminate Funding for Filled and Vacant Local Positions	(\$4.8)
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Major General Fund Spending Reductions in Chapter 781, As Adopted

(biennial \$ in millions)

Eliminate Additional GF for Drinking Water Revolving Fund	(2.6)
Phase-out Funding for Physician Loan Repayment Programs	(1.6)
Reduce Funding for Locally-Operated Health Departments	(1.4)
Department of Medical Assistance Services	
Leverage GF with Enhanced Federal Medicaid Funding	(\$962.4)
Delay Managed Care Payments by One Month	(64.0)
Delay Hospital Reimbursements by One Month	(32.2)
Delay Medicaid Reimbursements by One Week	(26.8)
Deposit to Virginia Health Care Fund from Tobacco Settlement	(11.1)
Suspend State/Local Hospitalization Program	(10.9)
Delay Payment to Federal Government for Medicare	(9.5)
Repeal Indigent Health Care Trust Fund	(8.6)
Reduce Hospital Reimbursement for Capital Costs	(4.4)
Remove New Services from Long-Term Care Waiver Services	(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)
Improve Provider Claim Edits	(1.1)
Reduce Reimbursement for Psychiatric Hospitals	(1.1)
Reduce Reimbursement for Long-Stay Rehabilitation Hospitals	(1.0)
Mental Health, Mental Retardation & Substance Abuse Services	
Reduce Administrative Funding for CSBs	(\$24.8)
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)
Department of Rehabilitative Services	
Reduce Funding for Long-term Employment Support Services	(\$1.5)
Reduce Funding for Extended Employment Services	(1.0)
Department of Social Services	
Replace GF Spending with Federal TANF Dollars	(\$47.8)
Replace GF Spending with Federal ARRA of 2009 Dollars	(23.1)
Eliminate 80.0 FTEs in Central Office	(3.0)
Eliminate Child Care Automation Project	(1.5)
Replace GF Spending with Federal Food Stamps	(1.4)

Major General Fund Spending Reductions in Chapter 781, As Adopted

(biennial \$ in millions)

Adjust Funding for Auxiliary Grant Program	(1.4)
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Reduce Rate Increase from 8 to 6 Percent for Foster Families	(1.2)
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Natural Resources

Department of Conservation and Recreation

Reduce State Park Operations	(\$3.2)
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Eliminate Funding for SWCD Dam Repair	(1.7)
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Reduce Match Funds for Conservation Reserve Enhancement	(1.1)
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Reduce Funding for Soil and Water Conservation Districts	(1.0)
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Department of Environmental Quality

Eliminate 59.0 FTE Positions Throughout the Agency	(\$5.2)
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Reduce Match for Wastewater Revolving Loan Fund	(3.0)
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Public Safety

Department of Correctional Education

Eliminate 20.0 FTE Positions Due to Facility Moves	(\$2.5)
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Reduce Equipment, Software and Supplies	(2.2)
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Eliminate Vacant Positions	(1.9)
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Department of Corrections

Close Southampton Correctional Center	(\$16.1)
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Close Pulaski Correctional Center	(8.9)
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Eliminate Therapeutic Transitional Community Programs	(4.1)
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Defer Institutional Equipment Purchases	(3.6)
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Close White Post Detention Center	(3.4)
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Close Dinwiddie Field Unit	(3.3)
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Close Tazewell Field Unit	(3.0)
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Remove Additional Funding for Pay Practices	(2.4)
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Increase Agency Turnover and Vacancy Rate	(2.2)
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Reduce Counselors Throughout Correctional System	(1.7)
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Eliminate Day Reporting Centers	(1.6)
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Implement Other Reductions	(1.5)
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Reduce Warehouse Staff	(1.2)
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Adjust Sexually Violent Predator Supervision to Actual Count	(1.0)
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Department of Criminal Justice Services

Reduce HB 599 (State Aid to Localities with Police Departments)	(\$22.1)
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Major General Fund Spending Reductions in Chapter 781, As Adopted

(biennial \$ in millions)

Department of Juvenile Justice

Reduce Court Service Unit Staffing	(\$4.0)
Capture Capital Outlay Balances	(3.2)
Reduce Purchase of Services Funding for Juvenile Probationers	(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)

Department of State Police

Hold Civilian Vacancies	(\$3.3)
Postpone 115th and 116th Basic Trooper Schools	(3.0)
Eliminate Overtime Compensation Funding	(2.1)

Central Appropriations

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)
Reduce Contribution Rates for Retiree Health Care Credit	(4.1)
Reduce Rent Plan for Seat of Government	(2.3)
VNDIA Supplant GF with ARRA Funds	(19.5)
Adjust Reversion Clearing Account for Agency Reductions	(11.9)
Aerospace Manufacturing Incentive Supplant GF with ARRA	(9.4)
Accelerate VITA Cost Containment Strategies	(6.0)
Research Grant Program Supplant GF with ARRA Funds	(2.0)
Adjust Economic Contingency Based on Existing Balances	(1.2)

Other Operating Reductions (\$151.0)

Capital Outlay

Supplant GF with VCBA / VPBA Bonds	(\$350.0)
Supplant GF Preplanning with Federal Funds	(\$5.4)

Grand Total (\$3,388.2)

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

Public Education. The adopted amendments in Direct Aid to Public Education result in a net decrease of \$726.7 million GF, for a revised total of \$10,927.5 million GF for the biennium. In addition, \$365.2 million is allocated for Public Education in FY 2010 from the federal State Fiscal Stabilization Fund (SFSF) provided by the American Recovery & Reinvestment Act of 2009 (ARRA). These dollars restore 86.1 percent of the reductions proposed in the introduced budget related to the 1) change in the support position funding methodology (\$340.9 million), 2) elimination of the school construction grants program (\$27.5 million), and 3) elimination of the Lottery-funded “Additional Support for School Construction and Operating Costs” (\$55.8 million). Additional federal dollars for existing funding streams (i.e. the Individuals with Disabilities Education Act, Title I of the Elementary & Secondary Education Act for services for economically disadvantaged students, etc.) will also be available under ARRA. All of the ARRA funds were allocated in the Central Appropriations section of the Appropriations Act.

The adopted budget eliminates the second year 2 percent pay adjustment and makes a slight reduction to the contribution rate for the retiree health care credit and group life premium, saving \$71.6 million and \$2.7 million the second year, respectively. In addition, \$54.4 million GF for the biennium are “freed up” by an additional transfer of Literary Funds to support retirement contributions. Technical adjustments over the biennium include a net decrease of \$88.7 million primarily due to the projected slowing of enrollment growth; a net decrease of \$86.0 million due to the revised sales tax forecast and 2008 triennial census data; and a reduction in the estimate for Lottery revenue by \$61.3 million. The adopted budget adds \$1.0 million the second year to account for expected growth in the number of teachers eligible for bonuses due to certification from the National Board of Professional Teaching Standards.

Higher Education. The adopted budget results in a net decrease of \$321.0 million, reflecting a decrease of \$337.2 million GF offset by \$16.2 million GF in new spending. Decreased funding resulted mostly from across-the-board reductions to Virginia’s public colleges and universities. These reductions were \$86.1 million GF the first year and \$210.1 million GF the second year. The first year reductions ranged from about 5 percent to 7 percent. The second year reductions are about 15 percent for all four-year institutions and 10 percent for the community colleges and Richard Bland College. Federal stimulus funding of \$126.7 million is included for FY 2010, primarily to mitigate tuition and fee increases for in-state students at public colleges and universities. Reductions to affiliated higher education agencies were \$7.6 million GF in the first year and \$7.0 million GF in the second year.

New spending includes additional student financial aid of \$10.0 million GF in FY 2010. The remaining additional funding of \$6.2 million GF in the second year was to provide funding for academic and research initiatives or to partially restore reductions at the higher education centers.

Health and Human Resources. The adopted budget reduces funding by \$838.3 million GF. The nongeneral fund budget is increased by \$1.6 billion over the biennium as a result of increased federal funds from the federal American Recovery and Reinvestment Act of 2009, primarily \$962.4 million from enhanced Medicaid funding, but also the federal share of rising

Medicaid and other health care program caseloads and costs. In addition, balance reversions and transfers of nongeneral fund revenue provide a savings of \$66.8 million GF.

Mandatory spending on Medicaid and children's health insurance programs, due to enrollment and utilization increases, accounts for most of the new spending in HHR. The approved budget adds \$994.7 million to fully fund the cost of Medicaid and children's health care, split almost equally between general funds -- \$463.3 million and federal funds -- \$531.3 million. An additional \$1.8 million GF is provided for medical services due to increases in involuntary mental commitments and \$2.4 million GF is provided to cover the increased cost of adoption subsidy payments. Spending increases include \$2.5 million GF for 200 additional MR waivers, \$5.1 million GF for a 3 percent increase in rates for personal care for individuals enrolled in Medicaid home- and community-based waivers, and \$1.0 million GF in FY 2009 for the Federation of Virginia Food Banks.

Targeted reductions include shifting Medicaid provider payments for savings of \$126.5 million GF in FY 2009, reducing Medicaid provider payments saving \$8.8 million GF in FY 2010, and reducing Comprehensive Services Act payments resulting from lower utilization of services for general fund savings of \$15.0 million for the biennium.

Public Safety. The adopted budget results in a net general fund reduction of \$132.5 million, including total increases of \$16.8 million and total decreases of \$135.9 million. Amendments intended to reduce the future growth of the state- and local-responsible offender population include the creation of a joint subcommittee to consider steps to reduce the numbers of nonviolent, lower risk offenders in prison. Language is also included to authorize a new behavioral corrections program for offenders for whom the felony sentencing guidelines would suggest a prison term of at least three years, who could then be released early with the remainder of the sentence suspended, at the judge's discretion, upon completion of a minimum two-year substance abuse treatment program in prison. Other amendments add \$411,750 for temporary probation and parole officers, \$730,000 for 10 additional teachers for the Department of Correctional Education, and \$1.5 million for expanded pre-trial release programs to relieve population pressure on jails.

The adopted DOC budget incorporates the Governor's October 2008 reductions, including the closure of six correctional facilities and the closure of the remaining day reporting centers, elimination of the transitional therapeutic community (TTC) substance abuse treatment programs, and elimination of other counseling and treatment positions, as well as a series of administrative reductions. The adopted budget for the Department of Juvenile Justice includes the closure of Camp New Hope and the Virginia Wilderness Institute, elimination of funds for a contract to operate a transitional cottage program at Beaumont Juvenile Correctional Center, and elimination of 45 positions and purchase-of-services funds in local juvenile court services units. In the Department of State Police, the 115th and 116th Basic Trooper Schools are postponed to April 2009 and March 2010, respectively.

A total of \$23.3 million from the additional state allocation under the Edward Byrne Memorial Justice Assistance Grant (part of the federal stimulus legislation, the American Recovery and Reinvestment Act of 2009) is provided to restore proposed reductions to Sheriffs and local and regional jails under the Compensation Board.

Judicial. Adopted amendments result in a net increase of \$4.5 million from the general fund. Increases include \$5.4 million each year for the Criminal Fund and \$610,076 each year for the Involuntary Mental Commitment Fund. Savings include \$5.0 in judicial branch reductions as recommended by the Chief Justice (plus an additional \$3.0 million in projected unexpended balances the second year); a reduction of \$2.0 million to cap the funds available for increased reimbursement for court-appointed counsel for indigent defendants, and a reduction of \$508,000 to eliminate the judicial performance evaluation program.

Finance. The adopted amendments result in a net decrease of \$39.9 million general funds for the biennium and an increase of \$10.2 million nongeneral funds for the biennium. Initiatives expected to result in additional revenues during the biennium include \$22.9 million from enhanced tax compliance efforts. Spending initiatives include \$5.8 million for the Department of Taxation to hire the 55 new tax compliance audit staff, \$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. Savings initiatives include 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, \$10.0 million from increasing the capital fee for out of state students, and savings of \$8.6 million from deferring the payment of principle on VCBA variable rate bonds

Administration. Adopted amendments result in a net decrease of \$51.5 million general funds and an increase of \$17.1 million nongeneral funds for the biennium. Spending initiatives include \$2.9 million GF for staffing at new jails, 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. Savings include \$12.0 million GF from supplanting general funds with E-911 funds to support dispatcher positions, \$23.3 million savings from general funds with federal Byrne JAG grants funds to support sheriff offices, and \$10.0 million in reduced funding for jail per diems.

Agriculture and Forestry. Adopted amendments include reductions of \$10.4 million in general funds, or 10 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 7.0 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 nearly \$1.0 million from eliminating 23 positions throughout the agency.

Natural Resources. Approved amendments include general fund reductions of \$26.0 million, offset by general fund increases of \$2.3 million. Additional spending items for the biennium include \$20.0 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.

Central Appropriations. Approved amendments for the Central Appropriations result in a net decrease of \$237.0 million GF for the biennium. General fund increases total \$17.8 million,

of which \$9.8 million is provided to pay institutions of higher education interest earned on nongeneral fund balances and rebates earned on charge card purchases. Reductions in compensation and benefits total \$201.3 million and include 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 (Elimination of the 2 percent teacher pay raise for FY 2010 is contained in Public Education); and \$33.1 million GF from changes in the actuarial methodology used to calculate premiums for non-retirement benefits provided by the VRS. Reductions of \$30.9 million GF are approved for three economic development programs: \$19.5 million from Base Realignment and Closure (BRAC) Assistance, \$9.4 million from Rolls Royce Incentive Grants, and \$2.0 million from SRI. These three reductions are restored using federal stimulus dollars available under the American Recovery and Reinvestment Act of 2009. Other reductions total \$22.7 million from a variety of actions.

Language is included that authorizes the use of federal funds provided to Virginia under the American Recovery and Reinvestment Act of 2009. The allocation to Virginia and its localities under this program is estimated to be \$4.8 billion. \$1,564 million of this amount is appropriated by the General Assembly in Chapter 781 of the 2009 Acts of Assembly.

Commerce & Trade. Adopted amendments include general fund reductions of \$21.0 million and nongeneral fund increases totaling \$379.2 million. General fund spending reductions primarily result from the elimination of economic incentive payments totaling \$8.75 million GF that will not be required under the Semiconductor Memory or Logic Wafer Manufacturing Performance Grant Program. Additional reductions of \$3.2 million are included to both the Indoor Plumbing and Enterprise Zone grant programs within the Department of Housing and Community Development. Offsetting these savings, the General Assembly provided a general fund increase of \$4.9 million in the second year for the Governor's Opportunity Fund and an additional appropriation of \$2.5 million in the second year for the Virginia Tourism Corporation to leverage private sector investments on advertising Virginia's numerous attractions. To provide direct economic stimulus with funding available from the American Reinvestment and Recovery Act several amendments authorize expenditure of these dollars to support commitments to the Commonwealth's business partners including Rolls-Royce and SRI.

Technology. Adopted amendments result in general fund reductions totaling \$1.4 million and nongeneral fund reductions totaling \$10.2 million. The most significant action included for the secretariat is the merger of the Virginia Enterprise Applications Program Office (VEAP) into the Virginia Information Technologies Agency (VITA). This merger, effective in the second year of the biennium, is designed to improve efficiency, productivity, and collaboration between these two agencies as well as with the Commonwealth's other agencies. The existing \$1.1 million general fund appropriation for VEAP is transferred in the second year to VITA and represents the sole additional spending item included for the secretariat.

Transportation. Continued decline in a number of transportation revenue sources, in particular motor vehicle titling taxes and recordation taxes resulted in adopted appropriations for the Transportation agencies of \$82.0 million GF and \$8.97 billion NGF for the biennium. This represents a nongeneral fund revenue reduction of \$794.9 million, or 7.9 percent, compared to Chapter 879 of the 2008 Acts of Assembly. In order to address the identified transportation

revenue shortfall, language is provided which specifies how the agencies shall implement the reductions by program, roadway system, or geographic area. Adopted amendments reduce the transportation agencies' maximum employment level by 1,163 fulltime equivalent positions (FTEs).

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

Capital Outlay. The approved capital outlay amendments include three types of actions with a combined impact of \$451.6 million on the general funds available for appropriation to assist with balancing of the 2008-2010 budget: 1) reductions of \$354.5 million in general fund appropriations for capital projects, 2) authorization of \$ 56.0 million of general fund supported debt for nongeneral fund deposits to the general fund, and 3) reversion of \$41.1 million from general fund project balances. Additional actions include providing \$34.9 million in VCBA bonds for equipment for buildings scheduled to be completed, providing \$55.8 million in 9(c) bond authority and \$131.9 million in 9(d) bond authority primarily for auxiliary enterprise and other nongeneral fund revenue-supported projects at the colleges and universities, and providing \$92.6 million in nongeneral fund cash projects.