



Summary of

**THE GOVERNOR'S
PROPOSED 2000 – 2002 BUDGET
and
AMENDMENTS TO THE
1998 – 2000 BUDGET**

December 22, 1999

Prepared jointly by the staffs of the:
**HOUSE APPROPRIATIONS COMMITTEE
and
SENATE FINANCE COMMITTEE**

INTRODUCTION

This document was prepared by the staff of the House Appropriations and Senate Finance Committees as a preliminary report on the Governor's budget proposals for the 2000-2002 biennium. The Appendix also contains a summary of proposed amendments to the approved budget for the current biennium. Subsequent staff reports will be made available during the 2000 General Assembly Session.

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Overview of the Governor's Budget Recommendations for 2000-02

The Governor's budget recommendations for 2000-02 are predicated on (1) significant increases in the revenue projection above the amounts forecast last year; and (2) substantial uncommitted balances that result primarily from the higher revenue forecast for the current year. Together, they provide about \$24.7 billion in general fund resources available for 2000-02 -- about \$3.2 billion more than the approximate cost of continuing current services.

In addition to the \$3.2 billion in new revenue, budget savings of about \$123.3 million are recommended in the introduced budget, bringing total new general fund resources available for appropriation to about \$3.3 billion.

HB/SB 30, as introduced, proposes operating budget increases of \$3.1 billion and \$199.8 million for capital outlay projects.

Proposed General Fund Budget for 2000-02 (\$ in millions)	
Revenues Available for Appropriation	\$ 24,732.5
Operating Appropriations	24,527.6
Capital Appropriations	<u>199.8</u>
Unappropriated Balance	\$ 5.1

Revenues

The general fund revenue forecast of \$23,415.5 million anticipates overall growth rates of 6.6 percent for FY 2001 and 6.8 percent for FY 2002. The forecast assumes continued strong job and wage growth, with low inflation through FY 2002, and no downturns in the economy or stock market. The official revenue forecast also incorporates a portion of the Commonwealth's allocation of the Tobacco Master Settlement Agreement (MSA) as general fund revenue. And, it reflects a number of tax policy changes that will go into full effect in the next biennium.

As introduced, HB/SB 30 also includes \$611.8 million in balances either brought forward from 1998-2000 or projected to occur in 2000-02. The largest portion of this total comes from a \$683.8 million increase in the revenues and transfers for FY 2000. Because relatively little of this revenue is used in FY 2000, the bulk flows forward as a balance into 2000-02.

The introduced budget also includes \$705.1 million in proposed transfers. Estimated Lottery proceeds of \$620.6 million and estimated ABC profits of \$67.2 million make up the bulk of the transfer total.

Proposed Budget Savings

In addition to the \$3.2 billion in “new” revenue available, the introduced budget proposes about \$123.3 million in budget savings. These savings have the effect of adding to the available resources which can be allocated in the introduced budget.

The largest single item is a proposed \$91.7 million reduction to agency budgets in FY 2002. Agencies are required to submit reduction plans by October 1, 2000. A number of programs and agencies – higher education, direct care staff in mental health and mental retardation facilities, staffing costs in adult and juvenile corrections, and aid to localities, for example – are exempted from these reductions through proposed language.

Other proposed reductions include the supplanting of general fund support for the Route 58 and Northern Virginia Transportation Bond programs, with debt service to be paid instead from Commonwealth Transportation Funds; a revision of debt service requirements for bonds to be issued in the next biennium; a proposed premium holiday for two insurance funds; and, a reduction in the amounts for the COPS program, which was not reauthorized by Congress.

Proposed savings are detailed below.

Major Spending Reductions Proposed in HB/SB 30, As Introduced (\$ in millions)	
Central Accounts	
Withhold Productivity Savings	\$ (91.7)
Premium Holiday for Automobile Liability Insurance	(2.4)
Premium Holiday on Performance Indemnity Bond	(0.3)

Major Spending Reductions (Continued)	
Transportation	
Supplant GF with Transportation NGF	(14.1)
Public Safety	
Reduce GF Appropriation for COPS Matching Funds	(2.5)
Special Revenue for Substance Abuse Assessments	(1.0)
Other	
Revise Debt Service Schedules	(5.2)
Supplant GF with Water Quality Imp. Fund NGF	(2.5)
Employment & Training Savings	(1.3)
Adjust Funding in Higher Education (various)	(1.2)
CIT-Decrease Funding for Centers/Adv. Communications Fund	(1.2)
Total-Spending Reductions	\$ (123.3)

Proposed Spending Increases

Non-Discretionary Spending Increases. About \$2.3 billion of the \$3.3 billion in new resources available is required to fund non-discretionary cost increases, meet historical commitments, address revenue shortfalls, respond to other pressing cost increases, or fund basic facility repairs.

Four commitments account for over \$1.8 billion of the \$2.3 billion in required cost increases:

- 1) Continuing the phased elimination of the personal property tax on personally owned vehicles assessed under \$20,000 (\$878.1 million);
- 2) Fully funding the state share of the Standards of Quality (SOQ) (\$577.0 million);
- 3) Providing funds to make the deposits to the Revenue Stabilization Fund in FY 2001 and FY 2002 (\$200.1 million); and
- 4) Meeting the projected cost of Medicaid services for mandated client groups (\$179.1 million).

The table below details the cost increases which are largely non-discretionary.

Required/Non-discretionary Spending Increases Proposed in HB/SB 30, As Introduced (GF \$ in millions)	
Central Accounts	
Personal Property Tax Program	\$ 878.1
Direct Aid to Public Education	
Fully Fund Direct Aid to Public Education (SOQ, Incentive Funds, Categorical Accounts)	577.0
Special Education in Jails	3.4
Alternate Tests for Special Education Students	2.0
Comprehensive Services	
Caseload Growth	12.0
Health and Human Resources	
Medicaid-Increased Utilization and Inflation	179.1
DMAS-Federal Matching Funds Requirement	11.8
MCVH-Additional Funding for Indigent Care	11.0
DMAS/MHMR- Services to Disallowed Clients on Elderly and Disabled Waiver	14.4
DSS-Foster Care & Adoption Subsidy Caseload/Mandated Rate Increases	7.1
DSS-Replace Child Support Enforcement Revenue	6.6
DSS-Implement Elec. Benefits Transfer (EBT) System	4.0
MHMR-Program to Treat Violent Sexual Predators	3.0
MHMR-Financial Management System Software	2.4
DMAS-New Medicaid Claims Processing System	2.0
DMAS-Residential Care for Non-CSA children	1.5
VDH-Office of Chief Medical Examiner	1.5
MHMR-Critical Staffing at Hiram Davis Medical Center	1.3
DSS-Increase the Number and Timeliness of Adoptions	1.2
Higher Education	
VSU-Extension Program-Prior Commitment to Match Federal Funds	1.2

**Required/Non-discretionary Spending Increases
(continued)**

Col. & Univ.-Oper. and Maintenance of New Facilities	\$ 12.2
Public Safety	
DCJS-Aid to Localities with Police Departments (HB 599)	48.7
DOC-Increase Direct Inmate Cost Funding	25.7
DJJ-State Share of Construction of Local Detention Facilities	12.0
DOC-Increased Computer Network Operating Expenses	6.0
DJJ-Operating Costs for Detention Facilities	5.6
DJJ-Higher Medical Care Costs	3.7
DOC-Funding for Service Fees to Localities	1.6
DOC-Cost Increases for Private Prison	1.2
General Government	
Treasury-Revenue Stabilization Fund-FY 2001 and FY 2002	200.1
Treas. Bd.-Debt Service for Higher Education Equip. Trust Fund	44.0
DOA-Share State Rev.-ABC Profits, Rolling Stock	10.7
Comp. Bd.-Increased Inmates in Local Jails	10.6
Sup. Ct.-Criminal Indigent Defense	8.1
TAX-Temporarily Relocate the Department of Taxation	2.9
Comp. Bd.-Retiree Health Care Credit - Constitutional Officers & Deputy Sheriffs	1.6
Treasury-Bank Services Fees	1.1
Comp. Bd.-Increase Number of Local Sheriffs' Deputies	1.1
Other	
DEQ/DCR-Water Quality Improvement Fund	34.0
Other Spending Increases	12.0
Capital Outlay	
Maintenance Reserve	90.0
Infrastructure/Life Safety Projects	65.6
Equipment for Facilities Coming On-line	14.7
Total-Required and Non-discretionary Spending Increases	\$ 2,334.0

Budgeting for Initiatives and Other Traditional Priorities. The remaining \$975 million in additional resources is available to support new initiatives and traditional priorities such as capital projects and salary increases for employee groups. The following table details how this funding is allocated in HB/SB 30, as introduced.

Discretionary Spending Increases Proposed in HB/SB 30, As Introduced (\$ in millions)	
Public Education	
Direct Aid-Expand the Early Reading Intervention Program	\$ 15.5
Direct Aid-GF Part of Statewide HS Computer System	10.3
Direct Aid-New Remedial Math Program	9.1
DOE-SOL Testing Improvements	11.2
DOE-Statewide Web-Based HS Computer System	6.3
DOE-School Assistance for SOA Accountability	4.5
DOE-Expand the Early Reading Intervention Program	1.6
Other Public Education	1.7
Transportation	
VDOT-Create the Priority Transportation Fund	212.3
VDOT-Tobacco Settlement Funding to Priority Transportation Fund	11.6
VDOT-General Fund Support for Highways	157.4
DRPT-General Fund Support Mass Transit	29.4
VPA-General Fund Support for Ports	8.4
Aviation-General Fund Support for Aviation	4.8
Higher Education	
Col. & Univ.-Maintain Faculty Salaries at 60th Percentile	44.3
Col. & Univ.-Fund Enrollment Growth	16.6
GMU-Enhance Academic Programs	15.0
SCHEV- Tuition Assist. Grant (TAG) Program	6.2
VSU-Enhance Academic Programs	5.5
NSU-Enhance Academic Programs	6.7
UVA-Center for Government	1.0
VCU-Engineering School and Centers	1.6

**Discretionary Spending Increases
(continued)**

Public Safety

DOC/DCJS/DJJ- Substance Abuse Treatment (SABRE)	20.0
St. Pol.-Establish Special Operations Division (SABRE)	16.8
DOC-Prison Bed Impact of SABRE Legislation	4.7
St. Pol.-Add'l Medevac Funds and Replace Helicopters	6.0
St. Pol.- Statewide Communication System	5.0
DCJS-Increase Forensic Science Salaries	3.0
DCJS-Va. Institute of Forensic Science and Medicine	2.0
DJJ-Private Provider Beds and Services	2.0
DMA-National Guardsmen Tuition Assistance	1.3
Other Public Safety	1.9

Health and Human Resources

DMAS-Increase Nursing Home Reimb. to \$85/day	16.0
DMAS-Increase in Rates for Personal Care Providers	4.1
VDH-Integrated On-line Network	2.8
VDH-Va. Institute of Forensic Science and Medicine	1.0
Other Health and Human Resources	1.9

Employee Compensation and Related Expenses

Salary Increases for State Employees (2.4%, Nov. 25, 2000)	51.4
Increase in State Employee Health Ins. Premiums (Yr.1)	32.3
Salary Increases for State-Supported Local Employees	24.8
VRS-Deferred Compensation Cash Match Program	17.3
Implement New Classified Pay Structure	2.0

Commerce and Trade

Additional Funding for Tourism Advertising	6.5
Establish the Virginia Business Information Center	1.0
VEDP-Certified Community Cooperative Advertising	1.0
Other Commerce and Trade	4.9

Finance

Treas. Bd.-Higher Ed. Equip. Trust Fund Debt Svc.	14.4
Treas. Bd.- Debt Svc. Shipbuilding Carrier Integ. Ctr.	6.4
Treas. Bd.-New VPBA Projects Debt Svc.	1.6
Tax.-Administrative Expenses for Legislation	1.4
DPB-Replace Budgeting Computer Systems	1.0

Discretionary Spending Increases (continued)	
Natural Resources	
DCR-Preserve Civil War Battlefields	3.4
Other Natural Resources	0.2
General Government	
Bd. Elections-Develop New Voter Registration System	2.3
Increased Rent Costs Across State Agencies	3.4
Other	3.1
Central Accounts	
Governor's Opportunity Fund	30.0
Establish Regional Visitor Centers	6.0
Governor's Motion Picture Opportunity Fund	2.0
Other Central Accounts	0.5
Technology	
CIT-Higher Education Research Initiative	20.0
DTP-Comm. Access to Computers and the Internet	8.7
DTP-Geographic Information Systems	4.4
DTP-Increase Resources for New Responsibilities	1.7
DTP-Establish Technology Internship Program	1.1
Non-State Agencies	
Grants to Non-State Entities	12.8
Assoc. for Preservation of Va. Antiquities for 2007	3.0
Grants for Historical Landmarks	2.7
Virginia Equine Center	2.0
National Slavery Museum at Jamestown	1.0
Capital	
Jamestown-Yorktown Foundation	12.3
Science Museum	1.1
Central Account Repairs and Energy Projects	6.5
Other	10.7
Total-Operating & Capital Discretionary Spending	\$ 974.4

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

Direct Aid for Public Education. An additional \$615.9 million GF is allocated to Direct Aid for Public Education in the 2000-02 biennium, along with an additional \$12.0 million GF to cover increased caseloads in Comprehensive Services.

Most of the proposed new spending -- \$547.2 million GF -- is to update the Standards of Quality accounts for increased enrollment, prevailing local costs of education, sales tax revenues, and updated composite index calculations. Another \$29.8 million has been included to update costs and participation rates in a number of categorical and incentive programs.

Initiatives totaling \$38.9 million GF are included to expand the Early Reading Intervention Program, to provide for the general fund portion of an educational technology program, to create a new remedial math program in middle schools in the second year, and to comply with new federal special education regulations.

A nongeneral fund contribution of \$41.2 million the first year and \$43.6 million the second year from the Literary Fund has been recommended to support an educational technology program of computer-administered instruction and testing in high schools, by the 2003 school year.

In the Department of Education, increases totaling \$27.7 million GF are recommended to address concerns with Standards of Learning testing, to implement a statewide web-based computerized instructional and testing system, to provide assistance to school divisions in meeting the requirements of the Standards of Accreditation and provide additional testing staff, to support an expanded Early Reading Intervention program and new middle school remedial math program, to establish alternate tests for special education students, and to establish an Alternative Licensure program for teachers.

Higher and Other Education. About \$109.0 million GF in funding increases are proposed for higher education, including \$44.3 million GF in the first year for average faculty salary increases of 2.46 percent -- to maintain salaries at the 60th percentile of peer institutions. Funding of \$16.6 million GF is provided to address enrollment growth, and \$12.2 million GF is included for operation and maintenance of new facilities coming on-line.

The budget also proposes an allocation of \$79.7 million from the Higher Education Equipment Trust Fund, to provide technology infrastructure and replace obsolete equipment. Lease payments for the equipment are budgeted in the Treasury Board.

The proposed budget also continues for two years the freeze on increases in tuition and mandatory instructional fees.

Institution-specific initiatives include \$15.0 million GF at George Mason University for instructional technology and to improve academic programs; \$6.7 million GF at Norfolk State University for upgrades to the telecommunications network and for academic program improvements; and \$6.7 million GF at Virginia State University for academic program improvements and cooperative extension. Funding of \$20 million GF in the second year is provided to the Center for Innovative Technology for a Technology Competitiveness Fund to encourage research at Virginia's public colleges and universities.

Additional funding of \$6.2 million GF is recommended to maintain the annual Tuition Assistance Grant at \$2,700 per student, based on projected private college enrollments.

Public Safety. Additional funding of \$167.6 million GF is recommended for public safety. Over half of this amount covers the required increase in aid to localities with police departments (HB 599), based on current revenue growth estimates (\$48.7 million GF), and establishes a proposed Substance Abuse Reduction Effort (SABRE) with \$41.5 million GF. The SABRE project includes funds for State Police for law enforcement, and for adult and juvenile corrections for treatment and supervision of drug offenders.

The recommended budget for the Department of State Police includes \$5.0 million GF the first year for engineering costs associated with the new interagency land-mobile radio system, and \$6.0 million GF to lease five new helicopters -- four of which will replace existing single-engine machines and one which will increase twin-engine capacity. Also, six positions for a new Medevac program serving the Lynchburg region are recommended.

Health and Human Resources. The budget includes proposed spending increases of \$274.7 million GF for Health and Human Resources agencies. About 90 percent of the funding is required to meet caseload and cost increases in Medicaid and other programs (\$197.2 million GF); to comply with federal and state mandates for enhanced services to disabled persons, welfare recipients, and others (\$34.0 million GF); and to offset nongeneral fund revenue losses in mental health facilities and child support enforcement (\$18.4 million GF).

Proposed initiatives includes \$21.4 million GF for long-term care programs, including \$16.0 million GF for increased nursing home reimbursement (plus \$17.2 million in federal Medicaid funds), \$4.1 million GF for home-based personal care services (plus \$4.4 million in federal Medicaid funds), \$850,000 GF for community-based programs administered by the Department for the Aging, and \$400,000 GF in special services for blind elderly persons.

Compensation. Employee compensation increases totaling \$94.3 million are recommended to provide a 2.4 percent salary increase in the first year of the biennium for state and state-supported employees. As proposed, the salary increase would be paid to employees with performance ratings of "meets expectations" or better.

Other compensation recommendations include \$17.3 million GF for the matching deferred compensation program, and \$32.3 million GF for first year premium increases in the employee group health insurance plan. The budget also includes \$2.0 million GF for administrative costs associated with reform of the classified employees' pay plan.

Commerce and Trade. Nearly all of the proposed \$14.9 million GF increase in Commerce and Trade is targeted to four agencies -- Virginia Tourism Authority, Virginia Economic Development Partnership, Department of Business Assistance and the Department of Minority Business Enterprise.

Included is \$6.5 million GF to enhance tourism marketing and promotion of a number of historic attractions and sites; \$1.0 million GF to develop a certified community cooperative advertising program; \$1.0 million GF to establish the Virginia Business Information Center; and \$700,000 GF to further capitalize the Capital Access Fund for Disadvantaged Businesses.

Other general fund Commerce and Trade initiatives are contained in the Central Accounts section of the budget, including \$6.0 million GF for the establishment of regional visitors centers, \$2.0 million GF for the creation of the Governor's Motion Picture Opportunity Fund, and \$30.0 million GF for the Governor's "Deal Closing Fund."

Natural Resources. The budget proposes a spending increase of \$35.3 million GF, of which \$34.0 million is committed to the Water Quality Improvement Fund. The Departments of Conservation and Recreation (DCR) and Environmental Quality (DEQ) will use the funds for agency operations (\$19.0 million) and for carrying out the Water Quality Improvement Act (\$15.0 million). The budget also includes a general fund reduction of \$2.5 million for DCR's water quality programs, to be supplanted with moneys from the Water Quality Improvement Fund.

An additional \$3.4 million GF is recommended for DCR to partner with the federal government and private non-profit organizations in the purchase of four Civil War battlefields threatened by encroaching development.

Nongeneral fund initiatives include \$2.9 million for DEQ's air pollution control program; \$1.8 million for wildlife management programs and other services provided by the Department of Game and Inland Fisheries; \$925,000 in

anticipated federal grant funds from the Land and Water Conservation Fund; and \$570,877 for the Marine Resource Commission's programs for recreational saltwater fishing and oyster restoration.

Technology. About \$37.4 million GF in additional spending is proposed for Technology agencies, including \$20.0 million GF for a state college and university technology research grant initiative.

Other technology-related initiatives include \$4.4 million GF for an expanded geographic information program; \$8.7 million GF to increase Internet access through community organizations such as libraries; \$0.4 million GF for expansion of educational web site services which support the Standards of Learning (SOL); and \$1.1 million GF for a technology worker training and retention initiative.

General Government. Central Appropriations includes \$1,427.8 million GF for the biennium to continue phased elimination of the personal property tax on personally owned vehicles. During the 2000-2002 biennium, the phase-in will increase from 47.5 percent of assessed value to 100 percent of assessed value for personally owned vehicles assessed at \$20,000 or less.

A total of \$235.3 million in Tobacco Master Settlement Agreement (MSA) revenues is also included in the budget, as introduced. Of \$235.3 million, \$143.5 million is budgeted in the Central Accounts as nongeneral fund revenue for the Tobacco Indemnification and Community Revitalization Fund, in keeping with legislation adopted last session establishing dedicated funds for specific purposes. Another \$28.7 million is allocated to the Virginia Tobacco Settlement Foundation Fund, for the purpose of reducing and preventing tobacco use by minors.

The remaining 40 percent is included as general fund revenue. In FY 2001, the full 40 percent is appropriated for transportation purposes. In FY 2002, the budget assumes that securitization of the 40 percent of revenues will occur, and that \$11.6 million will remain as the residual for transportation -- after the sale.

Recommended initiatives for general government agencies include \$2.3 million GF for replacement of the Virginia Voter Information System; about \$1.0 million GF for the Virginia War Memorial and the National World War II Memorial in Washington, D. C.; and \$200,000 GF for expansion of workforce oversight and planning by the Department of Personnel and Training. Funding also is included for the cost of housing an increasing number of prisoners in local jails.

In Finance agencies, an additional \$325.2 million GF is proposed, including \$200.1 million GF for two payments into the Revenue Stabilization, or "Rainy Day" Fund. An increase of \$103.0 million GF in the Treasury Board

budget includes \$14.4 million for debt service payments on a proposed \$79.9 million allocation from the Higher Education Equipment Trust Fund, along with \$49.0 million GF transferred from the institutions of higher education to simplify the debt payment process. Other spending increases include \$10.7 million GF to pay localities for the local share of higher wine taxes and alcoholic beverage control profits and \$6.4 million GF in debt service payments for the Newport News Advanced Shipbuilding and Carrier Integration Center.

The introduced budget projects agency savings of \$91.7 million GF for the biennium from unspecified productivity improvements. Although not captured until the second year, these savings are calculated as 1 percent of non-exempted personal services and 2 percent of non-exempted non-personal services each year for Executive Branch agencies.

Exempted personal services amounts include funds for adult and juvenile correctional officers, mental health direct care positions, and all higher education staff. Exempted non-personal service includes aid to localities, continuous charges like debt service and long-term leases, and all of higher education.

Transportation. Increased spending includes \$423.9 million GF for a proposed transportation program. The increase is partially offset by a \$14.1 million GF reduction for the Northern Virginia Transportation District Program and the U.S. Route 58 Corridor Development Program.

Additional nongeneral funds of \$945.3 million are recommended, \$570.1 million of which would result from the proposed sale of 40 percent of the Commonwealth's Tobacco Settlement proceeds.

- The increased revenues are distributed across all modes of transportation. Several projects have been identified as uses for the funds, including \$25.0 million NGF for a Virginia Airports Revolving Loan Fund, \$10.0 million in tax credits to encourage teleworking, \$2.0 million GF for the National Air and Space Museum Annex, and \$2.4 million GF for continuation of the Craney Island study.

Capital Outlay. The introduced budget provides \$848.9 million for capital construction, \$199.8 million of which would come from the general fund. Of this amount, \$90 million GF is provided for the Maintenance Reserve Program. Funding of \$14.7 million GF is provided for equipment to complete capital projects authorized in 1998. An additional \$65.6 million GF is also provided to address infrastructure projects, such as HVAC and water systems, as well as life/safety, fire suppression, and asbestos abatement.

The remainder of capital funding comes from nongeneral fund sources or from proposed debt issuance. Nongeneral fund projects include \$107.8

million for dorms and dining halls at colleges and universities, which will be issued as 9(c) debt and repaid with student and user fees.

Virginia Public Building Authority debt of \$28.9 million is recommended for projects at the seat of government and the Virginia Museum of Fine Arts. Debt of \$105.9 million from 9(d) bonds would be issued for parking and athletics facilities at colleges and universities.

Several property transfers and long-term leases are also proposed in both capital and operating sections of the introduced budget. Language also is included which authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$40.1 million for five higher education projects and two natural resources projects.

Revenues

The 2000-2002 budget, as introduced, projects \$24,732.5 million in general fund revenues, transfers, and balances available for appropriation.

General Fund Revenue Available for Appropriation (\$ millions)	
Available Balances	\$ 611.8
Revenue Estimates*	23,415.5
Transfers	<u>705.1</u>
Total General Fund Revenues	\$ 24,732.5
*Assumes passage of certain tax policies and a portion of the Tobacco Settlement proceeds	

Available Balances

As introduced, HB/SB 30 includes \$611.8 million in balances that are expected at the end of the current biennium, \$509.5 million of which comes from an estimated increase in the revenue forecast for FY 2000.

Another \$103.3 million results from the FY 1999 revenue surplus, and is required to be deposited into the Revenue Stabilization Fund in the first year of the 2000-2002 biennium. The budget proposes a second year appropriation to the Revenue Stabilization Fund of \$96.8 million, based on current projections of revenue growth for FY 2000.

Revenue Growth

The general fund revenue forecast of \$23,415.5 million projects overall growth rates of 6.6 percent for FY 2001 and 6.8 percent for FY 2002. The forecast assumes continued strong job and wage growth, with low inflation through FY 2002, and no downturns in the economy or stock market. The official revenue forecast also incorporates a portion of the Commonwealth's Allocation of the Tobacco Settlement as general fund revenue. It also reflects a number of tax policy changes that will go into full effect in the next biennium.

Commonwealth's Allocation of Tobacco Settlement. A total of \$235.3 million is reflected in the proposed 2000-02 budget from the Tobacco Master

Settlement Agreement (MSA). Of this amount, 60 percent has been earmarked through legislation for deposit to specific Trust Funds, and is reflected as a nongeneral fund revenue. The remaining \$63.2 million is included as general fund revenue. Included in this total is the 40 percent that has not been designated in FY 2001, and the balance or residual that would remain in FY 2002, after securitization of 40 percent of MSA revenues has occurred. The Settlement distribution included in HB/SB 30 is as follows:

- The Tobacco Idemnification and Revitalization Fund would receive 50 percent of the funding, or an estimated \$143.4 million;
- The Tobacco Settlement Foundation Fund would receive 10 percent of the funding, or an estimated \$28.7 million; and
- The general fund would receive 40 percent in FY 2001, or an estimated \$51.6 million. In FY 02, \$11.6 million is included to represent the estimated portion remaining after the proposed asset sale.

Tax Policy Changes. The recommended general fund budget includes a net impact of \$290 million in tax policy changes in the 2000-02 biennium. This includes \$339 million in tax relief from legislation previously passed by the General Assembly, and \$49 million in additional general funds that result from assumed legislative changes. (The Personal Property Tax Relief program is included as a \$1.4 billion appropriation to localities in the operating portion of the budget).

Three new tax policy changes are assumed in the budget, as introduced:

- 1) Deferral of the scheduled law change which would allow individuals to adjust the number of personal exemptions claimed according to an estimate of their final tax liability. This withholding change has been deferred each biennium since its original January 1991 effective date. Projected general fund revenues would be increased by \$49.5 million from this change.
- 2) Elimination of the VHDA low-income housing credit for both individuals and businesses. This change would increase general fund revenue estimates by \$2.0 million.
- 3) Creation of a Technology Intern Program, which would provide tax credits to businesses and students, with an estimated general fund revenue reduction of \$2.5 million in FY 2002.

Other significant tax policy changes reflected in the general fund revenue estimate include:

- **Reduction in Sales Tax on Food.** Effective January 1, 2000, the 4.5 percent sales tax on food is reduced to 4.0 percent as a result of

legislation adopted by the 1999 General Assembly. This first 0.5 percent reduction has an estimated revenue impact of \$125.7 million in the 2000-02 biennium. Three additional increments of 0.5 percent will occur on April 1, in years where the prior year revenue collections exceed the official estimate by at least one percent. The Department of Taxation estimates the total annual revenue impact of the 2.0 percent reduction at \$273 million, when fully phased in.

- ***Income Tax Subtraction for Military Wages.*** The 1999 General Assembly adopted, beginning January 1, 2000, a \$15,000 individual income tax subtraction for active-duty military basic pay. The subtraction declines dollar-for-dollar when basic pay exceeds \$15,000 and phases out entirely when basic pay equals \$30,000. The estimated revenue impact of this subtraction is \$19.1 million in the 2000-02 biennium.
- ***Double-Weighted Sales Apportionment Factor.*** This tax policy change, first enacted by the 1998 General Assembly, and reenacted last session, allows corporate income tax to be calculated with a higher weight for sales than for property and payroll. The effect of this change is to reduce corporate income taxes for companies that export the bulk of their production out-of-state, resulting in an estimated \$41.5 million impact in the 2000-02 biennium.
- ***Electrical Utility Deregulation.*** The 1999 General Assembly changed electric utility taxes from a gross receipts and special assessment tax to a consumer consumption and corporate income tax, effective January 1, 2001. The estimated impact is \$29.9 million in the 2000-02 biennium.
- ***Coalfield Employment Enhancement Tax Credit.*** This credit against income taxes for Virginia producers of coal and coal methane gas will increase from 50 percent of allowable credits in the current biennium to 75 percent in tax years 2001 and 2002. The estimated impact is \$24.4 million in the 2000-02 biennium.

Other tax policy actions also affect the revenue forecast for 2000-02 biennium. The table on the next page details the complete list.

**Tax Policy Actions
Affecting General Fund Revenue Estimates**

	<u>\$ Millions</u>
Proposed Tax Policy Changes	
Defer Income Tax Withholding Change	\$49.5
Eliminate VHDA Low-Income Housing Credit	2.0
Technology Intern Program Tax Credit	<u>(2.5)</u>
Total Proposed Changes	\$49.0
Previously Enacted Tax Policy Actions	
Reduction in Sales Tax on Food	(125.7)
Income Tax Subtraction for Military Pay	(19.1)
Double-Weighted Sales Apportionment Factor	(41.5)
Electrical Utility Deregulation	(29.9)
Coalfield Employment Enhancement Tax Credit	(24.4)
Higher Education Trust Fund	(6.4)
Income Tax Subtraction for State/Federal Employees	(2.2)
Income Tax Subtraction for Unemployment Benefits	(15.4)
Interest Equalization	(5.8)
Virginia Educational Savings Trust (VEST)	(0.4)
Income Tax Credit for Other States	(2.0)
Enterprise Zone -- Small Business (individual & corporate)	(22.0)
Non-prescription drug sales tax exemption	(24.1)
Optometrists & Medical Practitioners sales tax exemption	(3.0)
Apportionment of Historic Rehabilitation tax credits	(0.7)
Sales tax exemption /For-Profit Hospital Use of Drugs	(3.4)
Sales tax exemption /Equipment Used in Internet Services	(5.0)
Retaliatory Tax on Insurance Companies	(4.8)
Expanded Historic Rehabilitation Credits	<u>(3.2)</u>
Total Previously Enacted	(\$339.0)
Net Revenue Change	(\$290.0)

Finally, the budget includes funding for a \$10 million tax credit in FY 2002 for teleworking initiatives in areas of the state that do not meet air pollution

standards. The credit is to be financed from the proposed Priority Transportation Fund.

After incorporating the above tax policy changes, general fund revenues are projected to grow by 6.6 percent and 6.8 percent, respectively, in the first and second year of the biennium.

Forecast of General Fund Tax Revenues (\$ in Millions)					
	<u>FY00</u>	<u>FY01</u>	<u>Percent Growth</u>	<u>FY02</u>	<u>Percent Growth</u>
Net Ind. Income	\$6,757.8	\$7,394.0	9.4%	\$7,980.6	7.9%
Corp. Income	475.1	464.8	(2.2)	470.2	1.2
Sales	2,205.6	2,313.6	4.9	2,465.2	6.6
Insurance Prem.	249.6	261.1	4.6	256.0	5.8
Public Service	<u>121.4</u>	<u>89.9</u>	<u>(25.9)</u>	<u>123.3</u>	<u>1.8</u>
Major Taxes	\$9,809.5	\$10,523.4	7.3%	\$8,914.5	6.3%
Other	<u>782.2</u>	<u>766.3</u>	<u>(2.0)</u>	<u>631.8</u>	<u>1.8</u>
Total Taxes	\$10,591.7	\$11,289.7	6.6%	\$12,062.6	6.8%
Tobacco Settlement	<u>\$66.6</u>	<u>\$51.6</u>		<u>\$11.6</u>	
Total GF Rev.	\$10,658.3	\$11,341.3		\$12,074.2	

Economic Scenario Associated with the Revenue Forecast

Virginia's revenue forecasting process involves projections of national economic conditions, use of an econometric model to anticipate Virginia's economic outlook, and review of economic and business data by several Governor's advisory boards. The Governor's Board of Economists reviews the underlying economic variables that drive the official forecast, and the Governor's Advisory Council on Revenue Estimates determines whether the revenue estimates prepared by the Department of Taxation is reasonable in light of current business conditions.

In FY 1999, economic growth was better than expected, both for the U.S. and Virginia. Virginia employment growth reached 2.7 percent, personal income

grew 7.0 percent, and wages and salaries grew 9.8 percent. Virginia continues to be "above trend" in its economic growth, fueled in part by low inflation and increased productivity, in addition to strong personal income growth. Virginia is expected to continue outperforming the nation over the forecast period.

Growth in Actual and Forecast Selected U.S. and Virginia Economic Statistics (Percent Growth Over Prior Year)				
	Actual		Estimated	
	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Real GDP	3.9%	3.2%	2.5%	2.9%
U.S. Personal Income	5.0	5.0	5.1	5.2
Va. Personal Income	7.0	6.5	6.0	5.7
Va. Wages and Salaries	9.8	8.7	6.9	6.5
Va. Employment	2.7	2.4	1.7	2.0
Source: WEFA Group's October 1999 Standard Forecast and Virginia Department of Taxation				

Transfers

Transfers to the general fund during the 2000-2002 biennium are projected at \$705.1 million. Of this amount, \$620.6 million is expected from Lottery profits, which are expected to remain at the FY 2000 level of \$310.3 million per year. Other major transfers include \$45.4 million from estimated Alcohol Beverage Control (ABC) profits and \$21.8 million transferred from ABC revenues to support substance abuse programs.

The proposed budget assumes continuation of the \$9.0 million per year transfer from the Literary Fund for public school construction and transfers \$3.2 million of Contract Prisoner Special Revenues in the first year and \$1.5 million in the second year (down from \$21.4 million in the current year).

Other transfers are detailed below and reflect traditional policies, with the exception of an additional \$21.5 million transfer of general fund revenues to the Game Protection Fund. This additional amount reflects action of the 1999 General Assembly to make sales tax collections on hunting and wildlife equipment available to the Game Protection Fund. Prior action made sales tax proceeds from small watercraft available to the fund.

**Proposed Transfers in HB/SB 30,
As Introduced
(\$ in millions)**

Lottery Proceeds	\$620.6
ABC Profits	45.4
ABC to MHMRSAS	21.8
Literary Fund Transfer	18.0
Contract Prisoners Special Revenue Fund	4.7
Unfunded Marine Fuels	12.3
Transportation Sales Tax Compliance	4.6
NGF Indirect Cost Recovery	13.6
Local Sales Tax Compliance	10.2
Payroll & Other Central Agency Services	2.1
IHRIS Recovery NGFs & Loan Repayment	(1.0)
GF Transfer to Children's Health Program	(17.3)
GF Transfer to Game Protection Fund	(31.7)
Other transfers and deposits	<u>1.8</u>
 Total Transfers Proposed	 \$705.1

Legislative Department

The Governor's proposed budget for the Legislative Department contains the estimated adjusted appropriation for current operations, pending action by the Joint Committee on Rules on legislative base budgets and addenda requests.

Judicial Department

The Governor's proposed budget for the Judicial Department contains a net increase of \$8.0 million GF over the adjusted appropriation for current operations.

- **Supreme Court of Virginia**
 - ***Nongeneral Fund Positions.*** Includes a technical reduction of five (5.00 FTE) positions to reflect the actual employment level.
 - ***Criminal Fund.*** Provides an additional \$4.1 million GF each year for increased costs of the criminal fund. Total expenses for the fund are expected to increase from \$53.8 million in FY 2000 to \$59.6 million in FY 2001. No additional funds are provided in FY 2002 for any further increase in the second year above the first.
- **State Board of Bar Examiners**
 - ***Additional Staff Position.*** Includes one additional position for increased workload to certify out-of-state attorneys to the Virginia State Bar. Senate Bill 488 of 1998 authorized the Supreme Court to transfer the responsibility for issuing certificates to out-of-state attorneys to practice law in Virginia, without taking an examination. The 1999 Appropriation Act provided a sum sufficient appropriation from applicant fees deposited to the general fund (not to exceed \$50,000) for this purpose.

Statewide Executive Offices

The Governor's proposed budget for Statewide Executive Offices contains a net increase of \$1.5 million GF over the adjusted appropriation for current operations.

- **Attorney General of Virginia**
 - ***Civil Commitment of Sexual Predators.*** Proposes \$317,388 the first year, \$401,152 the second year, and five positions each year to address the legal workload associated with civil commitment of sexual predators.
 - ***Computer Crime Unit.*** Includes an additional \$73,644 the first year, \$77,936 the second year, and one position each year for the computer crime unit established by the 1999 General Assembly. These funds are intended to annualize the cost of the three positions created last year and to add one new investigator.
- **Secretary of the Commonwealth**
 - ***Certified Mail Requirements.*** Provides \$247,000 each year for the increased cost of postage for service of process, due to a change in the Code of Virginia which requires that these mailings include a certified return receipt.
 - ***Salary Increase.*** Includes an additional \$37,488 each year for the increased salary and benefits associated with the elevation of the Secretary of the Commonwealth to cabinet-level status by Executive Order 31 (1994), and by action of the 1998 General Assembly.
- **Interstate Organization Contributions**
 - ***Increased Dues Cost.*** Provides a net increase of \$13,499 the first year and \$19,579 the second year to account for changes in the dues for several interstate organizations.

Administration

The Governor's proposed 2000-2002 budget for Administration agencies contains a net increase of \$19.3 million GF over the adjusted appropriation for current operations.

Funding increases are included for the Charitable Gaming Commission, the Compensation Board, the Board of Elections and the Department of General Services, Personnel and Training, and Employee Relations Counselors.

Major initiatives include expansion of workforce oversight and planning by the Department of Personnel and Training, replacement of the Virginia Voter Information System, and support for the Virginia War Memorial and the National World War II Memorial in Washington, D. C. Funding increases also are included for the cost of housing an increasing number of prisoners in local jails.

- **Charitable Gaming Commission**
 - **Improve Computer Operations.** Proposes an increase of \$164,187 NGF the first year, \$267,004 NGF the second year, and one position for computer systems development and network management.
 - **Expand Enforcement Activities.** Adds \$227,414 NGF the first year, \$233,351 NGF the second year, and three positions to increase auditing and investigative activities of the regulated community.
- **Commonwealth Competition Council**
 - **Reduce Position.** Reduces the agency maximum employment level from four to three positions to reflect actual employment levels and existing funding.
- **Compensation Board**
 - **Part-time Commonwealth Attorneys.** Includes \$174,389 GF the first year and \$144,421 GF the second year to convert the part-time Commonwealth Attorneys offices in Patrick and Charlotte Counties to full-time status.
 - **Inmate Per-Diem Payments.** Provides \$5.3 million GF each year for per-diem payments to localities, reflecting the projected increase in local jail populations during the biennium.
 - **1:1,500 Deputy Sheriff.** Adds \$546,381 GF each year to support 21 new deputy sheriff positions for localities with growing populations in order to maintain a ratio of one deputy per fifteen

hundred general population. The positions will be allocated to the following counties:

Fauquier	Loudoun
Fluvanna	Pittsylvania
Franklin	Powhatan
Frederick	Pulaski
Hanover	Rockingham
Isle of Wight	Spottsylvania
King George	Stafford

- **Increased Computer Costs.** Includes \$167,686 GF each year, based on increased computer and telecommunications costs for localities' financial reporting.
- **Retiree Healthcare Credit.** Adds \$805,450 GF each year, based on legislation adopted during the 1999 General Assembly session, which extended a retiree healthcare credit to Constitutional Officers and their employees.
- **Department of Employee Relations Counselors**
 - **Consolidate Hearing Officer and Appeals Program.** Adds \$52,000 GF and \$326,260 NGF the first year, \$405,674 NGF the second year and six positions to consolidate the agency's system of part-time hearing officers and create a new appeals review procedure for the state employee grievance process.
 - **Publish Case Decisions.** Adds \$25,675 NGF the first year and \$6,600 NGF the second year to publicize grievance procedure rulings so that a body of administrative "case law" can be established to guide future decision-making.
- **Department of General Services**
 - **Rent Plan Cost.** Provides a total of \$1,474,705 GF the first year and \$1,881,065 GF the second year is distributed among all general fund agencies in the introduced budget, based on a projected increase in charges for office space maintenance.
 - **General Liability Insurance Premiums.** Provides a total of \$330,905 GF the first year and \$610,770 GF the second year to all general fund agencies in the introduced budget, to offset most of the projected increase in agency charges for general liability insurance coverage. The state self-insurance program is in the process of implementing a risk-based premium schedule based on individual agency claims experience.

- **Environmental Lab Certification.** Adds \$627,930 NGF the first year and \$61,104 NGF the second year to establish a environmental laboratory certification program for oversight of private laboratories. The source of the nongeneral fund revenues will be internal service fund charges.
- **Federal Grant-Preparedness to Defend Against Bioterrorism.** Includes \$902,035 NGF each year, based on a federal grant from the Centers for Disease Control, to improve the Division of Consolidated Laboratories' ability to respond to chemical and biological agents that could be used for terrorism.
- **Improve Procurement Program.** Includes \$196,600 NGF the first year and \$253,196 NGF the second year to expand the department's training and outreach effort to vendors and state agencies on state procurements. The source of the nongeneral fund revenues will be internal service fund charges.
- **Electronic Procurement.** Earmarks \$1.4 million NGF the first year and \$1.1 million NGF the second year to establish a statewide electronic procurement system. The source of the nongeneral fund revenues will be internal service fund charges.
- **DRVD Fiscal Services.** Adds \$86,822 NGF the first year and \$81,098 NGF the second year to provide fiscal services for the smaller Department of the Rights of Virginians with Disabilities (DRVD). The source of the nongeneral fund revenues will be charges to DRVD.
- **Virginia War Memorial.** Includes \$340,750 GF the first year and \$262,750 GF the second year to complete renovations at the Virginia war memorial.
- **Workers Compensation Self-Insurance Transfer.** Proposes that the Workers Compensation self-insurance fund and program be transferred to the Department of Personnel and Training, and reduces support for the program by \$474,965 NGF each year.
- **Employment Level.** Reduces the agency's maximum employment level by fifteen positions to reflect actual filled positions and funding.
- **Department of Personnel and Training**
 - **Integrated Human Resource System.** Includes \$1.4 million NGF the first year to continue development of IHRIS, and transfer oversight responsibility for the program from the Department of Accounts.

- **Management Training.** Adds \$100,000 GF each year to expand training for supervisory level state employees.
- **Workers Compensation Self-Insurance Transfer.** Proposes that the Workers Compensation self-insurance fund and program be administered by the agency, rather than the Department of General Services, and provides \$519,251 NGF the first year, \$523,279 NGF the second year, and four positions.
- **Health Benefits Information Systems.** Adds \$103,726 NGF the first year, \$88,699 NGF the second year, and one position to improve computer information system support for the state employee health benefits program.
- **Department for the Rights of Virginians With Disabilities**
 - **Convert Wage Positions to Full-time.** Increases the agency’s maximum employment level by two.
- **Department Veterans Affairs**
 - **World War II Memorial.** Includes \$334,000 GF as Virginia’s contribution for construction of a National World War II Memorial in Washington D.C.
- **State Board of Elections**
 - **Voter Registration System.** provides \$2.3 million GF to continue work on replacement of Virginia’s Voter registration and Information System.

Commerce and Trade

The Governor's proposed 2000-2002 budget for Commerce and Trade agencies contain a net increase in general funds of \$14.9 million over the adjusted appropriation for current operations. Nongeneral fund increases total \$105.4 million over current operations.

Most of the general fund spending increase is targeted to four agencies - Virginia Tourism Authority, Virginia Economic Development Partnership, Department of Business Assistance, and the Department of Minority Business Enterprise as follows:

- \$6.5 million to enhance tourism marketing and promotion of a number of historic attractions and sites;
- \$1.0 to develop a certified community cooperative advertising program;
- \$1.0 million to establish the Virginia Business Information Center; and
- \$700,000 to further capitalize the Capital Access Fund for Disadvantaged Businesses.

Most of the nongeneral fund spending increase is contained in the Virginia Employment Commission to support the Virginia Workforce Strategy and to implement the federal Workforce Investment Act.

Other Commerce and Trade funding initiatives which are contained in the Central Accounts section of the budget include \$6.0 million for the establishment of regional visitors centers, \$2.0 million for the creation of the Governor's Motion Picture Opportunity Fund, and \$30.0 million for the Governor's "Deal Closing Fund".

- **Department of Business Assistance**

- **Virginia Business Information Center.** Contains \$493,823 GF and 5 FTE in the first year and \$523,380 GF and 7 FTE in the second year to establish a business information center as an initial point of contact for businesses seeking assistance and information on government services and regulations.

- **Department of Minority Business Enterprise**

- **Capital Access Fund for Disadvantaged Businesses.** Adds \$300,000 GF the first year and \$400,000 GF the second year to expand the

availability of capital to a larger number of disadvantaged businesses. The fund is currently capitalized at \$300,000.

- **Information Center for Disadvantaged Businesses.** Provides \$250,000 GF each year and 1 FTE the second year to establish a business information center as an initial point of contact for disadvantaged businesses seeking assistance and information regarding government services. Funding also will be used to establish a pilot program that will assess the technology needs of disadvantaged businesses and provide financial assistance in acquiring technology.

- **Virginia Economic Development Partnership**

- **Certified Community Cooperative Advertising Program.** Provides \$500,000 GF each year to establish a cooperative advertising grant program as an incentive for communities to work cooperatively on economic development efforts.
- **Southeast U.S. – Japan International Conference.** Provides \$750,000 GF the first year to host the 25th joint meeting between the Southeast U.S.-Japan and Japan-Southeast U.S. Association in Norfolk in the fall of 2000.
- **Advanced Shipbuilding and Carrier Integration Center.** Provides \$750,000 GF the second year for the operation grant component of the Virginia Advanced Shipbuilding and Carrier Integration Center (VASCIC) program.

The grant program, created by the 1998 General Assembly, consists of an investment grant (capital) that is capped at \$58 million, payable through June 30, 2000, and an operations grant, capped at \$40 million, payable through June 30, 2004.

During the 1998-2000 biennium, the General Assembly appropriated \$21 million of the total \$58 million in investment grants. The budget contains funding in the Treasury Board to provide debt service payments for 10-year bonds to be issued by the Newport News Industrial Development Authority, which covers the remaining \$37 million in investment grants.

- **Virginia Employment Commission**

- **Virginia Workforce Strategy.** Recommends \$9.8 million NGF the first year and \$14.3 million NGF the second year to either expand or establish workforce training programs administered by various state agencies. Expanded programs include additional workforce development coordinator positions at community colleges and funding for the Virginia Microelectronics Consortium. New

programs include a customized worker retraining program administered by the Department of Business Assistance and the establishment of a training center in Southwest Virginia. Funds for these programs will come from excess balances in the Unemployment Trust Fund.

- **Federal Workforce Investment Act.** Implements changes in federal law that consolidate and replace the old Job Training Partnership Act (JTPA), previously administered by the Governor's Employment and Training Department, with new worker training programs to be administered by the VEC.

- **Virginia Tourism Authority**

- **Expand Tourism Marketing.** Provides \$3.3 million GF each year to enhance the state's tourism promotions program. Additional funds will be used for marketing of Revolutionary War and Civil War sites and attractions, promotion of African-American heritage sites, and marketing and promotion of golf in Virginia.
- **African-American Heritage Sites.** Includes \$450,000 GF each year to continue the research and development of a database of African-American sites, as well as to market and promote the sites.
- **Blue Ridge Parkway Marketing Initiative.** Contains \$300,000 GF each year for "challenge" grants to be matched by North Carolina, Tennessee, or the Blue Ridge Parkway Association to promote and market attractions along the parkway.
- **Civil War Museum.** Contains \$250,000 GF each year for operating a new museum and educational center in Richmond focused on the Civil War period.

Public Education

The Governor's proposed 2000-02 budget for Direct Aid to Public Education contains an increase of \$615.9 million GF over the adjusted appropriations for current operations. The Governor's proposed budget also includes the transfer of \$110.0 million GF in school construction funds from Central Accounts to Direct Aid to Public Education for the 2000-02 biennium. Finally, a net addition of \$27.7 million GF is recommended for the Department of Education, along with increased funding of \$12.0 million GF for the Comprehensive Services Act to reflect caseload growth.

The \$615.9 million GF increase recommended for direct aid to public education includes formula-driven and technical changes of: \$547.2 million GF to update the Standards of Quality accounts for increased enrollment, prevailing costs of education, sales tax revenues and updated composite index calculations, and \$29.8 million to update costs and participation rates in a number of categorical and incentive programs.

In addition, there is a transfer of \$110.0 million GF in school construction funds from central accounts to Direct Aid to Public Education.

Also included in the \$615.9 million are initiatives totaling \$38.9 million: \$15.5 million GF to expand the Early Reading Intervention Program; \$10.3 million GF for the general fund portion of an educational technology program; \$9.1 million GF in the second year for a new remedial math program in middle schools; \$3.4 million GF to comply with new federal special education regulations; and \$0.6 million GF to expand the Teacher Mentor Program and establish a Governor's School for Agriculture.

A nongeneral fund contribution of \$41.2 million the first year and \$43.6 million the second year from the Literary Fund is recommended to support an educational technology program.

In the Department of Education, increases totaling \$27.7 million GF are recommended: \$11.2 million GF and 3.0 FTE to address various Standards of Learning testing concerns; \$6.3 million GF and 6.0 FTE to implement a statewide web-based computerized instructional and testing system; \$4.5 million GF and 5.0 FTE to provide assistance to school divisions in meeting the requirements of the Standards of Accreditation and to provide additional testing staff; \$2.3 million GF and 4.0 FTE to provide support for the expanded Early Reading Intervention and new middle school remedial math programs; \$2.0 million GF to establish alternate tests for special education students; and \$0.9 million GF and 1.0 FTE to establish an Alternative Licensure program for teacher licensure and to continue on-going testing programs.

- **Secretary of Education**
 - **Technical Adjustments.** Adds a net \$50,194 GF the first year and \$50,646 GF the second year to make technical adjustments.
 - **Additional Personnel and Increased Rent and General Liability Premiums.** Adds a net \$40,620 GF and 1.0 FTE the first year and \$41,706 GF and 1.0 FTE the second year to increase the staff in the Secretary’s Office from 5.0 to 6.0 FTE and to provide for increased rent and general liability premium costs.

- **Department of Education**
 - **SOL Testing Improvements.** Increases funding by \$5.5 million GF the first year and \$5.7 million GF the second year and 3.0 FTE to improve the statewide Standards of Learning testing program. Funding is recommended to: field test additional test questions in order to improve the security of the tests and allow the release of “used” test items; provide detailed performance information at the class and student level to allow targeted remediation; furnish school divisions with results of the SOL tests in an electronic form; and increase the number of staff in the Department of Education working with the implementation and maintenance of the SOL tests and SOL report card.
 - **Web-Based Computerized Instruction and Testing.** Recommends \$3.8 million GF the first year and \$2.4 million GF the second year and 6.0 positions in the Department of Education's management information systems division. The funding would provide for: the development of the testing software; testing and validation costs; software license fees; software at the Department; test center costs; manuals; training; and scoring, equating and other test contractor costs. In the first year, the Department would provide the on-site technical support for selected demonstration sites in high schools.
 - **SOA Assistance.** Includes \$2.5 million GF the first year and \$1.9 million GF the second year and 5.0 FTE for the Department to develop assessments and surveys as part of an accountability model and to contract with independent reviewers to provide intensive assistance to schools that receive Accredited with Warning status. The initiative assumes approximately 500 schools each year will require this intensive assistance.
 - **Expand Early Reading Program.** Recommends \$0.8 million GF the first year and \$0.8 million GF the second year and 3.0 FTE to expand the current Early Reading Intervention program. The program was initiated in 1996 to provide additional reading instruction to kindergarten students who have reading deficiencies, as identified by a diagnostic test. This funding would expand those

services into the 1st through the 3rd grades. The Department's additional funding would provide for three reading specialists to implement the program and \$600,000 for the tests. The tests would be given at the beginning of Kindergarten and at the end of Kindergarten, and in 1st and 2nd grades. Additional program funds to school divisions are provided in Direct Aid.

- **Create Math Remediation Program for the Middle Grades.** Adds \$0.7 million GF in the second year to hire one math specialist position and to provide \$600,000 for diagnostic mathematics tests. The tests would be given at the end of the 6th and 7th grades to identify student deficiencies in math.
- **Alternate Tests for Special Education Students.** Adds funding of \$1.0 million GF each year for the estimated costs of developing tests for all special education students and incorporating those tests into the state's accountability program. The development of alternative assessments for special education students is required under recent amendments to the federal Individuals with Disabilities Act (IDEA).
- **Alternative Licensure Position.** Adds funding of \$0.2 million GF each year to fund one position and provide financial assistance to "career switchers" who want to become teachers. The position would coordinate activities and assist individuals. Funding is also provided to pay for the required schooling of these alternative licensure teachers, assuming 100 participants for 15 credit hours at a cost of \$100 per credit hour.
- **On-Going Testing.** Reduces funding by \$82,408 GF the first year and then adds a net \$595,025 GF the second year for changes in enrollment, the number of tests administered, and the annual test price for the Standards of Learning, Stanford 9, and Literacy Passport tests.
- **Technical Changes.** Provides \$1.3 million GF and \$1.4 million NGF the first year and \$1.4 million GF and \$1.5 million NGF the second year to cover increased rent costs and other technical changes. The increased rent costs are based on projected increases in charges from the Department of General Services for office space maintenance.

- **Direct Aid to Public Education**

- **Technical Increases.** Includes \$135.5 million GF the first year and \$128.1 million GF the second year to make technical adjustments in Standards of Quality funding due to the following:

- ♦ Update Prevailing Instructional Salaries. The data on which prevailing instructional salaries are calculated for the 2000-02 Standards of Quality budget have been adjusted to reflect prevailing salaries in 1997-98 and the 1998-00 salary increases provided by the General Assembly.
 - ♦ Update Prevailing Instructional Support Costs. The data on which prevailing support costs, including textbooks and instructional supplies, are calculated have been updated from 1995-96, using the 1997-98 Annual School Report.
 - ♦ Update Projected Enrollment. The 2000-02 Standards of Quality budget has been calculated using updated estimates of student enrollment. Enrollment is expected to increase by 10,890 students (adjusted ADM) the first year above the revised projected enrollment for 1999-00 and another 10,477 students the second year.
 - ♦ Revised Inflation Factors. Prevailing support costs, updated to reflect 1997-98 actual costs, are adjusted for inflation through the first quarter of 1999.
 - ♦ Revised Fringe Benefits Costs. The 2000-02 Standards of Quality budget has been calculated to reflect revised Virginia Retirement System (VRS) retirement rates approved by the VRS Board which move from 9.04 percent in 1999-2000 to 9.61 percent in the new biennium; Group Life Insurance rates that move from 0.00 percent in 1999-2000 to 0.32 percent for 2000-02; and an increase in Health Care rates from \$2,206 per instructional position in this fiscal year to \$2,296 per instructional position for the 2000-02 biennium.
- **Retiree Health Care Benefit.** Funds an increase of \$9.6 million GF the first year and \$15.0 million GF the second year to reflect a rate change from 0.35 percent to 0.58 percent the first year and 0.68 percent the second year in the health insurance credit for retired teachers and other professional school division employees. The Health Care Credit was first authorized by the 1996 General Assembly, and the benefit, which is mandatory and 100 percent state-funded, was adjusted by the 1999 General Assembly. Payments are made directly to VRS by the Department of Education.
 - **Sales Tax.** Includes \$83.3 million GF the first year and \$134.1 million GF the second year for the estimated revenues available from the one-cent portion of the sales tax which is returned for public education.

- **Textbooks.** Recommends an additional \$14.3 million GF the first year and \$14.6 million GF the second year to update the cost of providing textbooks for students. The calculated cost per pupil has been increased from \$38.59 to \$61.25 in the new biennium.
- **Enrollment Loss.** Adds \$2.9 million GF the first year and \$3.3 million GF the second year to increase Enrollment Loss funding. Enrollment Loss funding is provided to buffer the impact of funding losses in school divisions with declining enrollment. A total of 68 school divisions are projected to have lower enrollments in each year of the biennium.
- **Remedial Summer School.** Reduces by \$0.4 million GF the first year and increases by \$6.8 million GF the second year the appropriations for remedial summer school. The enrollment in remedial summer school has grown since the adoption of revised Standards of Learning and Standards of Accreditation, and is projected to continue increasing over the course of the new biennium. Enrollment in the program is projected based on historical enrollment data. The per pupil amount is \$328.
- **Update Incentive-Based Programs.** Recommends \$8.0 million GF the first year and \$7.2 million GF the second year to update the costs of a variety of incentive-based programs in Direct Aid to Public Education, due to changes in enrollment, the composite index, and participation in the federal free lunch program. The incentive-based programs include: Lottery, Maintenance Supplement, At-Risk funding, K-3 Class Size Reduction, At-Risk Four-Year-Olds, Early Reading Intervention, SOL Teaching Materials Supplement, SOL Remediation, Additional Teachers, SOL Teacher Training, Truancy, Health Incentive Fund, and GED funding.
- **Update Categorical Programs.** Recommends \$4.8 million GF the first year and \$9.8 million GF the second year to update the costs of a variety of categorical programs in Direct Aid to Public Education, due to changes in enrollment, participation rates, and the composite index. The affected categorical programs include: Homebound Instruction, Hospitals, Clinics & Detention Homes, Regional Tuition, Advancement Via Individual Determination, Foster Care, Alternative Education, and Governor's Schools. Included in this total is an increase for the English as a Second Language program -- \$1.7 million GF the first year and \$1.8 million GF the second year due to expected enrollment growth. Increases for the Governor's Schools reflect additional enrollment and an increase in the per pupil add-on from the state share of \$2,900 to \$3,185 per pupil.

- **Transfer School Construction.** Recommends transferring the \$55.0 million GF annual appropriation for school construction funding passed during the 1998 Special Session from Central Accounts to Direct Aid to Public Education.
- **Expand Early Reading Intervention Program.** Adds \$7.8 million GF each year to expand the early reading intervention program from Kindergarten to all grades K-3. Funding is based on the provision of 2.5 hours of additional instruction each week for 36 weeks, at a student to teacher ratio of 5 to 1. The assumed participation rate is based on the number of students participating in the federal free lunch program multiplied by 100 percent in kindergarten, 50 percent in the first and second grades, and 25 percent in the third grade. In the second year, the Department of Education is directed to adjust the funding based on actual student performance on diagnostic tests in the first year. Funding for the diagnostic tests and staff is recommended in the Department of Education budget.
- **Math Remediation for the Middle Grades.** Adds \$9.1 million GF the second year to provide additional instruction to students who have deficiencies in math. Funding is based on a program for 7th and 8th grade students, with a student to teacher ratio of 10 to 1. Schools would receive funding based on the percent of students who did not pass the 8th grade math SOL test in 1998. Funding is included in the Department to create and administer diagnostic tests at the end of the 6th and 7th grades.
- **Technology Plan.** Recommends \$360,000 GF and \$41.2 million in Literary Funds the first year and \$9.9 million GF and \$43.6 million in Literary Funds the second year to implement a statewide internet-based computerized testing and instructional system for high schools by the 2003 school year. Similar funding is anticipated for the first year of the 2002-2004 biennium.

Funding is provided in three ways:

- 1) The general funds will be distributed on a per pupil basis with a required local match based on the composite index of ability-to-pay. First year funding is included for selected demonstration sites in local high schools that are ready to administer computerized testing. Statewide funding in the second year assumes 322,106 high school (grades 9-12) students.
- 2) The Literary Fund monies will not require a local match, and 30 percent will be distributed on a flat per pupil amount for the estimated number of high school students.

- 3) The remaining 70 percent of the Literary Fund monies will be allocated to eligible high schools to achieve a 5:1 student: computer ratio; an internet-ready local area network capability; and Network Virginia or equivalent speed internet access.

To receive the 70 percent distribution, the schools will have to:

- a) be deemed deficient in these areas; and
- b) submit a plan for the use of the funds to the Department of Education by August 1, 2000.

The format of the required plan will be prescribed and approved by the Secretaries of Education and Technology, and will include certifications by the local school divisions that they: will be capable of administering the Standards of Learning tests on computers in high school by May 1, 2003; will appropriate local funds to match the general funds provided; will review any SOL software they purchase and provide a write-up of their use for other divisions to see; and, will maximize their use of federal E-Rate funds to reduce the cost of their technology plan.

The Secretary of Technology, the Department of Education and the Board of Education are directed to develop criteria to determine if a high school is "SOL test-ready." The Office of the Secretary of Technology will provide project management for the technology program.

Finally, language directs the Secretary of Technology and the Department of Education to study the feasibility and cost of expanding this program to the middle and elementary school levels.

The projected sources and uses of Literary Fund revenues are listed below.

**Literary Fund Sources & Uses -- 2000-2002 Biennium
(Dollars in Millions)**

<u>Sources</u>	<u>FY 2001</u>	<u>FY 2002</u>
Beginning Balance	\$ 1.3	\$ 2.9
Projected Revenues	120.8	131.9
 <u>Uses</u>		
Teacher Retirement	0.0	0.0
Equipment Notes	39.0	38.9
Transfer to School Constr.	9.0	9.0
Proposed Technology Plan	41.2	43.6
Interest Rate Subsidy Grants*	30.0	20.0
Direct Loans	<u>0.0</u>	<u>22.0</u>
Total Uses	\$119.2	\$133.5
 Annual Balance	 \$ 2.9	 \$ 1.4

* Interest Rate Subsidy Grants are used in conjunction with VPSA bonds to leverage school construction funds (four to five times the amount of the grant depending on the interest rate achieved on the VPSA bonds). This program is used to take projects off the Literary Fund First Priority Waiting List.

Currently, \$228.3 million in projects are on the Literary Fund Waiting List. DOE estimates that an additional \$475.0 million in projects will be approved for the Waiting List between now and the end of the 2000-02 biennium. Using interest rate subsidies in each year of the biennium and in FY 2000, the budget assumes that a total of \$344.4 million in projects on the Waiting List will be funded by the end of the 2000-02 biennium.

- **Special Education Services in Jails.** Includes \$1.7 million GF each year to provide 100 percent state funding for the provision of special education services to all eligible students incarcerated in regional and local jails. This funding is a requirement under the amended federal Individuals with Disabilities Education Act (IDEA).
- **Expand Mentor Teacher Program.** Includes \$0.2 million GF each year to provide mentor teachers who will assist new alternatively-licensed teachers. The Department of Education projects 100 new alternatively-licensed teachers for each year of the biennium. Increased funding would provide school divisions with \$2,000 for

each mentor, \$1,000 of which would be a stipend for the mentor teacher. The other \$1,000 would pay for training and teaching materials for the alternatively-licensed teacher.

- **Lottery Proceeds Revenue Sharing.** Continues the division of Lottery proceeds between the Basic Aid (61 percent) and the Revenue Sharing (39 percent) programs. Continues the Lottery Hold Harmless payments (renamed Direct Grants) contained in Chapter 935 for FY 2000. Continues the requirement for a local match based on the composite index of ability-to-pay and the requirement for a maintenance of effort in education spending by local governments, but does not include restrictions on the allowable use of funds other than for education purposes.
- **Governor's School for Agriculture.** Includes \$75,000 GF each year to establish a new Governor's School for Agriculture.

A listing, by locality, of proposed funding for Direct Aid to Public Education is provided in Appendix A and Appendix B.

- **Comprehensive Services Act**

- **Caseload Growth.** Adds \$12.0 million GF and \$17.2 million NGF the first year for program growth. In HB/SB 29, \$12.8 million GF is added to address a shortfall for the current fiscal year. Therefore, the general fund amount added in HB/SB 30 level funds the program in the first year, with the assumption that any program growth the first year can be covered by the non-general fund (Medicaid) collections for therapeutic foster care and residential services. Medicaid coverage of these services will begin January 1, 2000. Second year funding is not addressed pending the outcome of a study outlined below, and therefore remains below the recommended amount for FY 2001.
- *Study of Expenditure Growth Requirements.* Directs the Department of Planning and Budget, in conjunction with the Office of Comprehensive Services, to examine expenditure growth for the program and submit a report to the Governor for an appropriate funding level in the second year of the biennium. Language requires that the second year appropriation be unallotted until the report is received.

- **Virginia School for the Deaf and the Blind (Hampton)**

- **Technical Adjustments.** Adds a net \$388,332 GF the first year and \$395,445 GF the second year to make technical adjustments and increase funding for general liability premiums.

- **Virginia School for the Deaf and the Blind (Staunton)**
 - **Technical Adjustments.** Adds a net \$443,512 GF the first year and \$530,615 GF the second year to make technical adjustments and increase funding for general liability premiums.
 - **Increases.** Adds \$95,990 GF the first year and \$95,990 GF the second year to provide for the education, supervision and safety of blind students with identified specialized needs.

Higher Education

The Governor's proposed 2000-2002 budget for higher education provides a net increase of \$109.0 million GF, an increase of 3.6 percent over the adjusted base budget. The Governor also proposes equipment allocations of \$79 million from the Higher Education Equipment Trust Fund and a \$20.0 million Technology Competitiveness Fund to encourage research at Virginia's public colleges and universities. Nongeneral funds of \$5.4 billion also are recommended for higher education, an increase of 5.7 percent.

Major GF Spending Items	
	<u>(\$ in mil.)</u>
Faculty Salaries	\$44.3
Enrollment Growth	16.6
Facilities Maintenance	12.2
Institution-Specific Initiatives	29.7
Tuition Assistance Grants @ \$2,700	<u>6.2</u>
Total General Funds	\$109.0
Other Higher Education Initiatives:	
Equipment Allocations	\$79.0
Technology Competitiveness Fund	\$20.0

Major institution-specific initiatives include \$15 million GF at George Mason University for instructional technology and to improve academic programs; \$6.7 million GF at Norfolk State University for upgrades to the telecommunications network and for academic program improvements; and \$6.7 million GF at Virginia State University for academic program improvements and cooperative extension programs.

Additional funding of \$6.2 million GF is recommended to maintain the annual Tuition Assistance Grant at \$2,700 per student, based on projected private college enrollments.

- Faculty Salaries.** Provides \$44.3 million GF to maintain faculty salaries at the 60th percentile of each institution's respective peer group. The objective of bringing faculty salaries to the 60th percentile was achieved in fiscal year 2000. Increases range from 2.4 to 3.4 percent, with an average of 2.46 percent. A minimum increase of 2.4 percent was provided to each institution. Part-time faculty, graduate teaching assistants, and administrative faculty salary increases are funded at 2.4 percent. All increases are provided in the first year only.

Faculty Salaries		
	<u>GF</u>	<u>Percent Increase</u>
CWM	\$ 2,009,384	2.4%
UVA	7,218,032	3.4
VPI	6,083,677	2.5
VPI-E	1,564,101	2.5
VCU	5,573,444	2.4
ODU	2,573,977	2.4
GMU	3,724,206	2.4
CNU	673,262	2.4
JMU	2,313,445	2.4
LC	478,164	2.4
MWC	693,321	2.4
NSU	994,151	2.4
RU	1,129,614	2.4
UVA-W	209,467	2.4
VMI	361,152	2.4
VSU	553,597	2.4
VSU-E	9,067	2.4
RBC	110,008	2.4
VCCS	7,723,601	2.4
VIMS	<u>255,102</u>	2.4
Total	\$ 44,250,775	2.46% (Avg)

- Enrollment Growth.** Provides \$16.6 million GF and \$15.3 million NGF to fund projected enrollment increases at all but two institutions, based on the enrollment projections developed by the State Council of Higher Education. The methodology used to calculate the additional funding provides 50 percent of the average total instructional funding per FTE student, based on the institutional type (doctoral, comprehensive, two-year, or community colleges). Estimated tuition and fee revenue from enrollment growth is subtracted from the marginal funding required to arrive at the general fund cost.

For the community colleges, funding is based on current enrollment, rather than projected enrollment growth. The funding for the VCCS also includes \$852,137 GF in each year to address a shortfall in funds provided to cover the 20 percent tuition rollback authorized in 1999, because VCCS enrollment was greater than expected this year.

Enrollment				
	Change*	<u>GF</u>	<u>NGF</u>	
CWM	(80)	-	-	-
UVA	94	\$ 280,734	\$ 398,184	\$ 678,918
VPI	18	17,334	252,560	269,894
VCU	547	2,047,860	2,284,506	4,332,366
ODU	331	1,233,230	1,352,875	2,586,105
GMU	374	1,426,110	1,431,408	2,857,518
CNU	137	377,946	427,442	805,388
JMU	59	132,482	186,634	319,116
LC	317	842,800	1,056,700	1,899,500
MWC	173	479,370	622,340	1,101,710
NSU	9	11,916	126,900	138,816
RU	181	634,390	501,511	1,135,901
UVA-W	30	84,105	86,850	170,955
VMI	(7)	-	-	-
VSU	238	747,318	529,564	1,276,882
RBC	12	28,845	27,936	56,781
VCCS	<u>2,629</u>	<u>8,264,576</u>	<u>6,016,834</u>	<u>14,281,410</u>
Total	5,062	\$ 16,609,016	\$ 15,302,244	\$ 31,911,260

* Change in the number of annual in-state FTE students from FY 2000 to FY 2002.

- Higher Education Equipment Trust Fund.** Proposes an allocation of \$79.7 million from the Higher Education Equipment Trust Fund for new instructional and computing equipment in the 2000-02 biennium. The \$14.4 million in general fund lease payments, which support equipment bonds, are reflected in the Treasury Board budget. Debt service payments assume a three-year payback to reflect the shorter useful life of most new computing equipment. In prior years, the payback assumed a five-year useful life for such equipment.

Higher Education Equipment Trust Fund	
Biennial Allocation	
CWM	\$ 2,310,750
UVA	13,431,148
VPI	14,543,418
VCU	10,962,488
ODU	5,437,238
GMU	4,625,322
CNU	1,017,862
JMU	3,062,022
LC	711,300
MWC	945,350
NSU	2,005,440
RU	1,863,280
UVA-W	376,786
VMI	833,350
VSU	1,591,204
RBC	193,756
VCCS	15,012,104
VIMS	<u>752,768</u>
Total	\$ 79,675,586

The budget as introduced also moves \$44.6 million GF and \$4.8 million NGF earmarked for Equipment Trust Fund Lease payments from the base budgets of the institutions of higher education to the Treasury Board to facilitate actual debt service payments.

- Operation and Maintenance of New Facilities.** Provides \$12.2 million GF for the biennium to support the additional costs of lighting, heating, cooling, and maintaining new facilities that are scheduled to open during the 2000-02 biennium.

Operation and Maintenance Of New Facilities	
	GF
CWM	\$255,843
UVA	710,249
VPI	633,174
ODU	179,839
VCU	1,559,392
JMU	3,247,893
RU	371,833
UVA-W	69,000
VCCS	4,680,836
SWV HE Ctr.	<u>494,026</u>
Total	\$ 12,202,085

- **Technology Competitiveness Fund.** Proposes \$20 million GF in the second year to be appropriated to and administered by the Center for Innovative Technology for promotion of research and economic development through Virginia's public institutions of higher education. The initiative has three components:

- 1) A matching funds program to leverage federal and private research dollars, and to help research institutions compete for research grants.
- 1) An academic enhancement program to help institutions recruit and outfit the labs of outstanding research faculty.
- 2) An industry program to attract specific firms to locate or expand their operations in Virginia.

The funds are to be awarded on a one-time basis through competitive grants, to be decided by representatives from CIT, the Virginia Economic Development Partnership, and the State Council for Higher Education (SCHEV).

- **Virginia Community College System**
 - **Equipment.** Authorizes the Tobacco Indemnification and Community Revitalization Commission to provide \$3.8 million

NGF in each year for replacement of obsolete occupational and technical equipment at the 11 community colleges in Southside and Southwest Virginia.

- **Workforce Development Training Fund.** Authorizes the transfer of \$4.5 million NGF the first year and \$6.0 million NGF the second year, contingent upon the enactment of legislation to create the Workforce Development Training Fund from balances in the Unemployment Trust Fund. The fund would be administered by the Virginia Employment Commission.

The proposed allocation of funds within the Virginia Community College System includes \$1.2 million each year for workforce development coordinator positions; \$1.0 million each year for noncredit and industry-related courses; \$295,000 each year for an economic development center at Thomas Nelson Community College; and \$500,000 each year for a training center in Southwest Virginia. Funding of \$1.45 million the first year and \$2.95 million the second year is provided for the Virginia Microelectronics Consortium, a cooperative venture of the community colleges and four-year institutions.

- **George Mason University**

- **Expand Technology in Instruction.** Provides \$5.2 million GF to hire, train, and support faculty in order to add more technology related degrees, improve technology support infrastructure, and provide technology services and support to students.
- **Expand Funding for Academic Quality.** Provides \$5.7 million GF for additional full-time faculty, academic support staff and wage positions to reduce class sizes and provide new degree programs and research, as well as decrease the use of part-time faculty.
- **Expand Funding for Academic Support.** Provides \$1.0 million GF for merit scholarships, advising, counseling and placement services for students.
- **Expand Oracle Partnership.** Provides \$3.3 million GF for a new administrative system to replace GMU's current student, finance and human resources information systems.

- **Virginia State University**

- **Expand Funding for Academic Quality.** Provides \$3.4 million GF for the creation of an evening and weekend program in high-demand degree areas. Funds will also be used for instructional technology training for faculty, and to expand library and support services for students.

- **Campus-wide Communications.** Provides \$535,000 GF to complete the last phase of a campus-wide communications system.
- **Expand/Enhance Academic Programs.** Provides \$1.1 GF to expand three existing undergraduate programs, and create two new programs in computer engineering and manufacturing technology. In addition, \$0.6 million is provided for four new faculty positions to help achieve faculty/student ratios required by accreditation standards.
- **Match of Federal Funds for Land Grant Institution.** Provides \$1.2 million GF to the Extension division of VSU for compliance with federal law requiring a 100 percent state match for federal funds provided for land grant institutions created under the 1890 legislation. The funds will be used to set up demonstration projects to educate farmers in the development of alternative farm products.
- **Norfolk State University**
 - **Enhance Library Resources.** Provides \$3.1 million GF to upgrade library services and automation. The initiative will include upgrading of collections and equipment.
 - **Applied Research Center.** Provides \$461,240 GF to support NSU's partnership in the Applied Research Center facility located in Newport News. The ARC is a collaboration of the College of William and Mary, Old Dominion University, Christopher Newport University, and the Thomas Jefferson National Accelerator Facility.
 - **Faculty Development/Technology.** Provides \$1.4 million GF to increase the technological skills of faculty and staff. Also provides \$642,000 GF to support the development of new methods and techniques for the delivery of instruction and services.
 - **Preventive Maintenance Program.** Provides \$1.0 million GF for development of a preventive maintenance program for the university's facilities.
- **Radford University**
 - **Technology Education.** Authorizes the Tobacco Indemnification and Community Revitalization Commission to provide \$5.4 million NGF to expand technology education at Radford University. The funding would be used to create a new college of information technology by combining existing information technology degree programs and developing new majors. The funds also would be combined with \$257,000 NGF in each year from non-credit

workforce training courses to create a new technology training center for faculty, students, and the community.

- **University of Virginia**

- **Support for Center.** Provides an additional \$500,000 GF in each year to support the Virginia Center for Governmental Studies. The Center was established in 1998 to chronicle the work of current and former elected officials in Virginia. The additional funding would bring the total annual appropriation for the Center to \$855,000 per year.

- **Virginia Polytechnic Institute and State University**

- **Biotechnology Center.** Establishes a Biotechnology Center for the Advancement of the Life Sciences at Virginia Tech. Federal and private funds of \$5.8 million NGF are appropriated for equipment and technical support for the center. Language also authorizes the Tobacco Indemnification and Community Revitalization Commission to provide \$3.2 million NGF the first year and \$6.5 million NGF the second year to attract and hire top faculty in the biotechnology field.

- **Virginia Commonwealth University**

- **Indigent Care.** Under the Department of Medical Assistance Services, provides \$11.0 million GF the first year to be matched with \$11.0 million NGF in federal Medicaid funds for reimbursement of care provided by MCV Hospitals to indigent patients.
- **Expand School of Engineering.** Provides \$1.0 million GF for VCU to add approximately 125 students to the engineering program. The funds would be used to reduce the number of course sections taught per professor and reduce the student-to-faculty ratio.
- **Centers and Institutes.** Provides an additional \$50,000 GF in each year for the Virginia Executive and Commonwealth Management Institutes; \$150,000 GF in each year to develop a new entrepreneur curriculum to be used in the public schools system; and \$80,000 GF in each year for activities of the Virginia Labor Center.

- **Language: Institutional Performance Agreements.** Language under the Council of Higher Education calls for the consideration of “institutional performance agreements” between the institutions of higher education and the Commonwealth. The agreements would be proposed by the colleges and universities, and approved, modified, or rejected by the Secretary of Education and SCHEV, in consultation with the institution. The agreements would be submitted to the Governor for his review and

inclusion in his 2001 Budget Bill, for subsequent approval by the General Assembly. The agreements would cover a six-year period.

Agreements would include the institution's mission statement; performance measures to be used in assessing the institution's effectiveness in each of the six years of the agreement; projected enrollment; the base budget proposed by the institution, with operating projections for the subsequent five years; a projection of capital outlay and maintenance requirements; and proposals by the institution to improve quality and streamline operations, increase accountability, and enhance research and technology.

Budget language also provides that SCHEV could direct DPB to unallot funds if an institution fails to meet the agreed-upon performance measures.

- **Language: Tuition Policy.** Language continues the freeze on tuition increases for in-state, undergraduate students at Virginia's public colleges and universities, and clarifies that increases in non-educational and general fees to support wage and salary increases must be limited to those salary increases authorized by the General Assembly. Language directs that tuition charges to nonresident students taking courses through Virginia institutions from the Southern Regional Education Board's Southern Regional Electronic Campus must exceed all direct and indirect costs of providing instruction to these students.

Language stating the General Assembly's policy that in-state students at community colleges pay 20 percent of their education, and that in-state undergraduate students at other public institutions of higher education pay 25 percent of the cost of their education has been eliminated.

- **State Council of Higher Education for Virginia**
 - **Tuition Assistance Grants.** Provides \$2.9 million GF the first year and \$3.3 million GF the second year to fully fund anticipated enrollments at Virginia's private colleges which are eligible for TAG. The funding maintains the current grant amount of \$2,700.
 - **Study of Southside Educational Opportunities.** Provides \$50,000 GF the first year for SCHEV to conduct a feasibility study for establishing a four-year university in south central Virginia.
 - **Women's Institute for Leadership.** Reduces funds by \$141,816 GF in each year for the Virginia Women's Institute for Leadership at Mary Baldwin College to reflect lower than anticipated in-state enrollment.
 - **Contract with College of Health Sciences.** Phases-out funding provided for the contract with the College of Health Sciences. In

the first year, general funds are reduced \$120,000. In the second year, full funding of \$420,000 is eliminated. Partial funding in the first year completes the agreement between the Commonwealth and the College of providing approximately \$1.0 million in support from the state.

Other Education

- **Jamestown-Yorktown Foundation**
 - **2007 Celebration Activities.** Provides \$162,196 from the general fund and two positions in the first year, and \$179,577 from the general fund and two positions in the second year to support program planning, logistics, marketing, and public relations for the 400th anniversary of the landing at Jamestown, which will occur in 2007.
 - **Salary Increases for Nongeneral Fund Positions.** Provides \$78,276 NGF in each year to offset FY 2000 salary increases for seven new positions. Funding will be generated from ticket and concession revenues.
 - **Public Awareness Activities.** Provides \$199,651 nongeneral funds and six positions in the first year and \$295,029 nongeneral funds and six positions in the second year for development officers and gift shop employees.
- **Library of Virginia**
 - **Staffing for Public Services.** Provides \$196,357 NGF and six positions in the first year, and \$211,699 NGF and six positions in the second year for activities in archival information, collection management, information services, the Virginia Center for the Book, the state records center, and the library shop.
 - **Circuit Court Records Program.** Provides \$200,000 NGF in each year to increase preservation activities for historical Circuit Court documents.
 - **Infopowering the Commonwealth.** Includes \$1.7 million in the Department of Technology Planning to assist the Library of Virginia in its efforts to increase computer and internet access at local public libraries.
- **Science Museum of Virginia**
 - **Nongeneral Fund Positions.** Provides \$839,291 NGF and 27.5 positions in the first year, and \$915,589 NGF and 27.5 positions in the second year to expand educational offerings in new exhibitions, and to use new areas within the museum. The sources of the funds are existing grants and private donations.

- **Virginia Commission for the Arts**
 - ***Support for the Arts.*** Provides \$100,000 GF in each year to increase support for statewide arts activities.

Finance

The Governor's proposed 2000-2002 budget for Finance agencies contains a net increase of \$325.2 million GF and \$31.8 million NGF over the adjusted appropriation for current operations.

The single largest increase in general funds is \$200.1 million for two payments into the Revenue Stabilization or "Rainy Day" Fund. Additional funding increases include:

- \$103.0 million GF in debt service payments for the Higher Education Equipment Trust Fund (mostly a transfer from various institutions of higher education);
- \$10.7 million GF for payments to localities from higher shared tax sources (like wine taxes and alcoholic beverage control profits);
- \$6.4 million GF in debt service payments for the Newport News Advanced Shipbuilding and Carrier Integration Center;
- \$1.6 million GF for debt service on three new Virginia Public Building Authority projects;
- \$1.1 million GF for service fees to banks for Virginia's banking accounts; and
- \$1.0 million GF to begin the eventual replacement of the Commonwealth's program budgeting computer system.

Funding increases in nongeneral funds include \$27.1 million NGF for contractor payments and agency costs of the Tax Department's public-private technology partnership, and \$4.8 million NGF in debt service payments for the Higher Education Equipment Trust Fund.

- **Secretary of Finance**

- **Study Pharmaceutical Costs.** Directs the Secretaries of Finance, Administration, and Health and Human Resources to study the impact of rising pharmaceutical costs on the state budget. The report is to be submitted to the Governor and General Assembly by October 20, 2000.
- **Study Taxing of Internet Providers.** Directs the Secretaries of Finance and Technology to study the taxation of tangible personal property purchased by Internet services providers. The report is to

be submitted to the Governor and General Assembly by October 1, 2000.

- **Department of Accounts**

- **Required Payments for the Revenue Stabilization Fund.** Adds \$200.1 million GF for payments to the Revenue Stabilization (or Rainy Day) fund. Of this amount, a payment of \$103.3 million GF will be required in the first year of the 2000-02 biennium, based on FY 1999 actual revenues. A second payment of \$96.8 million GF is anticipated, based on updated revenue estimates for FY 2000. The fund is expected to reach \$847.6 million GF by the end of the 2002 -- about \$244.0 million below the cap for that year.
- **Updated Revenue Projections for Aid to Localities.** Projects an additional \$5.0 million GF the first year and \$5.7 million GF the second year for payments to localities from shared tax sources. The amount reflects projected increases in alcoholic beverage control profits, proceeds from the wine and rolling stock taxes, and sales tax revenues generated by qualifying public facilities in Roanoke and Suffolk.
- **Increased Line of Duty Payments.** Adds \$140,000 GF each year of the biennium for the Line of Duty Act, which entitles beneficiaries of deceased public safety officers payments of \$50,000 or \$25,000, depending on the circumstances of death.

- **Department of Planning and Budget**

- **Replace State's Program Budgeting Computer System.** Recommends \$1.0 million GF the first year to address deficiencies in the current program budgeting computer system (PROBUD) and to begin replacing the system. An additional \$300,000 GF is recommended for the same purpose in HB/SB 29. The current program budgeting system was purchased in fiscal year 1981, and was updated in fiscal years 1985 and 1990.

- **Department of Taxation**

- **Technology Partnership Payments.** Adds \$12.0 million NGF the first year and \$15.1 million NGF the second year to reflect increased revenues anticipated from the public-private partnership contract. The public-private partnership allows the Tax Department to contract with a private vendor who provides management services and upgraded hardware and software, in order to improve the tax compliance program. The Tax Department pays the private vendor from the increased tax revenues attributable to the vendor services, which are deposited in a special Technology Partnership Fund. Up

to 10 percent of the Fund is used to reimburse the Tax Department's expenses attributable to the partnership.

- **Roof Collapse Estimates.** Recommends \$2.9 million GF in the next biennium above the \$3.0 million GF recommended in HB/SB 29 to relocate the Department's operations. A portion of the roof at the Department of Taxation's central office building recently collapsed. The Department has been advised to vacate the building so engineers can determine the full extent of necessary repairs. The current year costs include leasing replacement space, relocating computers, running new computer lines into the leased space, and telephone set-up. Costs in the next biennium include continued lease payments, on-going costs for computer lines, and maintenance agreements for equipment. These estimates do not include any of the capital costs that will be necessary to repair the Department's building (see Capital Outlay).
- **Administration of Enacted and Proposed Legislation.** Recommends \$741,668 GF the first year and \$625,305 GF the second year for the Department to administer previously enacted and proposed legislation. A portion of the funding will be used to hire 3.0 FTE (using existing MEL authority). Proposed legislation includes the tax credits for the Virginia Technology Internship Program and the teleworking program.

- **Department of the Treasury**

- **Increase GF Support to Pay Bank Fees.** Recommends \$569,100 GF each year to pay bank fees that are currently being covered by leaving balances in bank accounts. By using general funds instead of bank balances, the balances can be invested, earning a higher interest rate. It is projected that this action would result in higher revenues of \$857,000 GF annually, as reflected in the revenue assumptions in HB/SB 30.
- **New Positions.** Adds \$89,178 NGF and 2.0 FTE each year to support the Virginia Public School Authority. The Authority's board authorized the transfer of funding to support the creation of the positions, one in the debt management division and the other in trust accounting.
- **Continue Maintenance of Bank Reconciliation System.** Adds \$71,447 GF each year for 1.0 FTE and an annual software maintenance contract for the new bank reconciliation computer system funded by the 1999 General Assembly.
- **Lease Additional Bloomberg Terminal.** Proposes \$12,000 GF each year to lease an additional Bloomberg terminal. The additional terminal will allow the Department's trading assistants to have

access to the Bloomberg database of financial data on stocks and bonds available for public resale.

- **Treasury Board**

- **Debt Service Payments for Shipbuilding and Carrier Integration Center in Newport News.** Proposes \$1.9 million GF the first year and \$4.6 million GF the second year for debt service payments for 10-year bonds to be issued by the Newport News Industrial Development Authority (IDA) for the construction of a building for the Advanced Shipbuilding and Carrier Integration Center. The proceeds from the sale of the bonds will be used to fund the remaining \$37.0 million commitment for investment grants to the project. The amounts recommended would pay debt services on the IDA bonds through the 2000-02 biennium.
- **Debt Service for VPBA Projects.** Recommends \$347,281 GF the first year and \$1.2 million GF the second year for debt service payments on bonds and bond anticipation notes of the Virginia Public Building Authority (VPBA) for three new projects. The three projects are renovation of the old Finance building, renovation of the exterior, elevators, and windows in the General Assembly Building, and construction of a parking deck and other improvements at the Virginia Museum of Fine Arts.
- **Debt Service for Higher Education Equipment Trust Fund.** Recommends \$46.7 million GF and \$2.4 million NGF the first year and \$56.3 million GF and \$2.4 million NGF the second year for debt service payments for the higher education equipment trust fund. The majority of the funding is transferred from the institutions of higher education to the Treasury Board in an effort to centralize debt service funding on outstanding obligations. Of the total, \$14.4 million is provided for debt service payments on new bonds to be issued in the 2000-02 biennium.
- **Revised Debt Service Schedule.** Proposes reductions of \$5.2 million GF and \$186,347 NGF the first year and an increase of \$25,859 GF and a decrease of \$206,117 NGF the second year based on revised debt service schedules.
- **Transfer Capital Lease Payments for Tidewater Community College.** Moves \$739,090 GF the first year and \$737,963 GF the second year from the Virginia Community College System to the Treasury Board for the lease payments for the Norfolk Campus of Tidewater Community College's capital lease project.

Health & Human Resources

The Governor's proposed budget for Health and Human Resources agencies contains a net increase of \$274.7 million GF over the adjusted appropriation for current operations. About 90 percent of the funding is required to meet caseload and cost increases, comply with federal and state mandates, and offset nongeneral fund revenue losses. A \$21.4 million long-term care initiative is also included.

Caseload and cost increases account for \$197.2 million of the added funding: \$179.1 million for increased Medicaid utilization and inflation; \$11.0 million for indigent medical care at the Medical College of Virginia; and \$7.1 million for children in foster care. No additional growth is funded in Virginia's child health insurance program, beyond the 31,000 children expected at the end of FY 2000. Any additional children in the 2000-2002 biennium would be placed on waiting lists.

Federal and state mandates account for \$34.0 million of the additional funding. This total includes \$14.5 million to provide services to disabled persons, most of whom may no longer be served under the Medicaid Elderly and Disabled Waiver. Another \$4.0 million is recommended to implement a federally required Electronic Benefits Transfer system for food stamps. Federally required improvements in child adoptions and Medicaid claims processing explain another \$3.1 million of the funding increase. And finally, \$3.0 million GF is proposed to support the treatment of sexually violent predators in mental health facilities. (Another \$621,000 NGF is provided for facility renovation in the corrections department budget.)

To maintain services at current levels, the introduced budget provides \$18.4 million GF to offset nongeneral fund losses: \$11.8 million for mental health facilities and \$6.6 million for child support enforcement.

The \$21.4 million GF long-term care initiative includes: \$16.0 million for increased nursing home reimbursement (plus \$17.2 million in federal Medicaid funds); \$4.1 million for home-based personal care services (plus \$4.4 million in federal Medicaid funds); \$850,000 for community-based programs administered by the Department for the Aging, and \$400,000 in special services for blind elderly persons.

- **Secretary of Health and Human Resources**
 - ***Additional Staff for the Office of the Inspector General.*** Adds \$100,000 GF and \$350,031 NGF over the biennium to establish two new positions in the Office of the Inspector General. The positions would support inspection activities to improve patient care in mental health and mental retardation facilities. The nongeneral

funds would be transferred from special revenues within the Department of Mental Health, Mental Retardation and Substance Abuse Services. The Inspector General position was established in FY 1999 on a pilot basis and is currently supported by one wage position.

- **Department for the Aging**

- **Expand the Caregiver Respite Program.** Provides \$250,000 GF each year to expand a range of community-based and in-home respite services for families caring for frail elderly and disabled persons. The funding would serve 109 additional elderly persons statewide at an average cost of \$2,284 per person.
- **Create Center for Elder Rights.** Adds two positions and \$100,000 NGF in the second year from a federal grant to create an elder rights center. The center will provide legal and consumer assistance to older persons, as well as a toll free elder rights hotline.
- **Conference on Aging.** Provides \$75,000 in the first year to conduct a conference on aging and long-term care issues.
- **Support for Long-term Care Commission and Other Aging Commissions.** Adds \$75,000 each year to establish a commission on long-term care. Also, funds will be used to support other study commissions examining aging and long-term care issues.
- **Special Local Project.** Provides an additional \$62,500 GF each year to the Jewish Family Service of Tidewater for community-based services for the elderly. Total funding for this local project would be \$122,500 GF each year.

- **Department of Health**

- **Automated Public Health Information System.** Adds \$2.8 million GF in FY 2001 for continued development of the automated public health information system -- the Virginia Information Systems Integrated Online Network (VISION). The system integrates 30 separate data systems into one online network and creates a public health information warehouse. Funds will also be used to maintain the system and network. Added language requires the Department to submit quarterly written status reports until the project is completed to the Secretary of Health and Human Resources and the Directors of the Departments of Planning and Budget and Technology Planning.
- **Medical Examiner Positions and Equipment.** Provides \$771,682 GF the first year and \$679,685 GF the second year for additional positions within the Chief Medical Examiner's Office to address

growing caseloads. Funding would support one pathologist and four investigators to aid with death scene investigations, provide pay differentials for investigators in Northern Virginia, and replace outdated equipment.

- **Positions for the Virginia Institute of Forensic Science and Medicine.** Adds \$500,000 GF each year for six positions for the Virginia Institute of Forensic Science and Medicine that was established in 1999 with a \$1.5 million private gift. The Institute is a joint effort of the Chief Medical Examiner's Office and the Division of Forensic Sciences and will provide specialized training for forensic scientists, medical examiners, and crime scene investigators. The Institute is located at the Virginia Biotechnology Research Park.
- **Water Supply Assistance Grant Fund.** Provides \$360,000 NGF each year for Water Supply Assistance Grant Fund, created by the 1999 General Assembly. It was established to allow the State Board of Health to provide grants to localities and waterworks to improve drinking water. The source of nongeneral funds is interest earnings on the state general fund match appropriated for the federal Safe Drinking Water Act.

- **Department of Health Professions**

- **Impaired Practitioner Intervention Program.** Provides an additional \$548,801 NGF in FY 2001 and \$1.3 million NGF in FY 2002 from licensing revenue for an intervention program for impaired physicians, as an alternative to disciplinary action.

- **Department of Medical Assistance Services**

Utilization Changes

- **Utilization and Inflation.** Adds \$179.1 million GF and \$194.8 million in federal funds for increased demand and inflation in medical costs for the Medicaid program. This increase anticipates that Medicaid will grow 3.3 percent in FY 2001 and 4.7 percent in FY 2002.
- **Update Funding and Enrollment for Children's Health Insurance Program.** Adds \$6.4 million in nongeneral funds over the biennium for inflation in medical costs covered under the Children's Medical Security Insurance Plan (CMSIP). The additional funds are a result of a revised estimate of the premium differential, which is deposited into the CMSIP Trust Fund, and federal matching funds for the program. Total funding for CMSIP will provide health benefits to slightly more than 31,000 children

expected to be enrolled in the program by July 1, 2000. Funding does not provide for enrollment growth in the biennium.

The introduced budget eliminates language that defines the CMSIP program beyond *Code of Virginia* provisions, requires regular reports to the General Assembly, and directs the Department to streamline application processing and coordinate outreach. However, language is added to provide coverage for medical nutrition therapy services.

Service Expansion

- ***Indigent Care at MCV Hospitals.*** Increases Medicaid funding for the Medical College of Virginia (MCV) Hospitals for indigent care by \$11 million GF and \$11.0 million NGF in the first year only. Nongeneral funds are provided through federal Medicaid disproportionate share payments due to the large number of indigent patients served by the hospital. Language is also added directing the Department of Planning and Budget, MCV Hospitals Authority, and the University of Virginia Medical Center to study the feasibility of requiring a local contribution to cover a portion of the cost of indigent health care services at the teaching hospitals. The study is to be completed by October 31, 2000.
- ***Waiver Services for Developmentally Disabled Persons.*** Adds \$9.1 million GF and \$9.9 million NGF to implement a new waiver program serving developmentally disabled persons, including those with cerebral palsy, autism, and epilepsy. The Department was directed to implement these services by the 1999 General Assembly. Additional funding is needed to comply with federal requirements for transitioning 250 developmentally disabled individuals from the Medicaid Elderly and Disabled Waiver to a waiver program with more appropriate services. Funding will also allow the program to serve an additional 50 developmentally disabled persons who are on waiting lists for home and community-based services.
- ***Medicaid Coverage of Children's Residential Services.*** Provides \$1.5 million GF and \$1.6 million in federal funds over the biennium for inpatient psychiatric services in residential treatment facilities for Medicaid-eligible children identified through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. These children would not qualify for residential treatment services under the Comprehensive Services Act.
- ***HIV Premium Assistance.*** Adds \$76,000 GF over the biennium to provide insurance payment assistance to HIV-infected individuals, in accordance with §32.1-330.1, *Code of Virginia*. The premium assistance enables HIV-infected individuals to continue their

medical insurance coverage, thereby reducing the need for Medicaid to pay for their health services.

Payment Changes

- ***Nursing Home Payment Increase.*** Increases funding for nursing homes by \$16.0 million GF and \$17.2 million in federal funds over the biennium, to increase the daily reimbursement rate from \$82.60 to \$85.00. In addition, language is added to authorize the Board of Medical Assistance Services to adopt emergency regulations, effective July 1, 2000, to implement a revised nursing home payment system, contingent upon actions taken by the General Assembly.
- ***Personal Care Rate Increase.*** Adds \$4.0 million GF and \$4.4 million in federal funds over the biennium to increase reimbursement for personal care services to elderly and disabled persons. The rate would increase from \$12.50 to \$13.00 per hour in Northern Virginia, and from \$10.50 to \$11.00 per hour in the rest of the state.

Administrative Improvements and Other Actions

- ***Medicaid Match for Persons in State MHMR Facilities.*** Adds \$11.8 million GF and \$12.7 million NGF in FY 2001 to address a shortfall in funding for Medicaid-eligible persons in mental health and mental retardation facilities. In the past, shortfalls in the general fund match for Medicaid clients were funded by excess facility special revenues derived from payments from third party payers. However, special revenues are projected to decline substantially in the biennium, primarily due to the loss of Medicare revenues. Recent federal audit findings have disallowed certain expenditures on facility patients who are Medicare beneficiaries. At the same time, the cost of care for all patients has increased due to increased facility staffing and other care improvements made to comply with federal U.S. Department of Justice settlement agreements for civil rights violations.
- ***Medicaid Claims Processing System.*** Provides an additional \$1.9 million GF and \$17.9 million NGF to cover the cost of developing and operating a new claims processing system for the Medicaid program. The department was in the process of procuring the new claims processing system in FY 1997 when the contract was canceled for non-performance. A new system began development in the 1998-2000 biennium and was to be completed by January 1, 2000. However, implementation was delayed due to other systems priorities related to Year 2000 compliance. Language is included to require the Department to submit quarterly written status reports on the project to the Secretary of Health and Human Resources and

the Directors of the Departments of Planning and Budget and Technology Planning until the system is complete and certified by the federal government.

- **Implement Federal Standards for Claims Processing.** Adds \$879,365 GF and \$7.6 million in federal funds over the biennium to implement requirements of the federal Health Insurance Portability and Accountability Act (HIPAA) of 1996. Federal law requires health insurers to use standard information in their claims processing, and implement a standard electronic data interchange format and web-based information exchange with providers, other payers, and recipients. Enhanced federal funding of 90 percent is provided to assist states in implementing these requirements.
- **Additional Staffing to Meet Service Needs.** Adds \$300,000 GF and \$352,174 NGF to fill nine vacant positions in the agency based on a recent efficiency review conducted by the Department of Planning and Budget.
- **Department of Mental Health, Mental Retardation and Substance Abuse Services**
 - **Transition Mentally Retarded Persons to Alternative Waiver Program.** Adds \$2.7 million GF each year to transition 320 mentally retarded persons currently served through the Medicaid Elderly and Disabled Waiver to the Medicaid Mental Retardation (MR) Waiver. The MR waiver provides an enhanced package of services more appropriate for these individuals. The transition is necessary to comply with federal requirements.
 - **Increase Staffing at Hiram Davis Medical Center.** Provides \$1.3 million GF and \$1.1 million NGF over the biennium to increase nursing staff at the Hiram Davis Medical Center. Planned modifications to patient walls will limit visibility of patients and require additional nursing staff to monitor and care for medically fragile patients. Increased funding will provide 38 additional certified nurse aides and 12 additional registered nurses.
 - **Update Financial Management System.** Adds \$2.4 million GF over the biennium to upgrade the agency's financial management software. The new software would replace the current mainframe system, which was procured in 1984, with a client/server network using current technology. The software will have expanded features to better manage and administer the system's finances, and comply with state and federal reporting requirements.
 - **Treatment of Violent Sexual Predators.** Adds \$3.0 million GF and 15 positions over the biennium to develop a treatment program for violent sexual predators. Funding assumes that offender

assessments would be initiated in the first year, but admissions to the treatment program would not begin until July 1, 2001. Language is added authorizing the Department to contract with private or local entities to house and provide treatment to sexually violent predators. In addition, the proposed budget contains \$621,000 NGF in capital funding through the Department of Corrections to adapt a facility for use in confining sexually violent predators.

- ***Sale of Surplus Land at State Facilities.*** Adds language authorizing the Department to deposit the proceeds of the sale of surplus lands at state-owned mental health and mental retardation facilities into a revolving trust fund, notwithstanding other statutory provisions regarding the disposition of surplus state property. The trust fund may be used for expenses associated with the restructuring of facilities and patient services.

Language is eliminated that prohibits the closure of any state-owned mental health and mental retardation facility without the approval of the General Assembly. Also, language is eliminated that requires General Assembly approval of any sales, transfers, or conveyances of real property to other agencies as well as private parties.

- **Department of Social Services**

- ***Federal and State Mandates***

- ***Foster Care and Adoptions.*** Adds \$7.1 million GF and \$4.9 million NGF in FY 2001 for caseload and rate increases in foster care and adoption subsidies. Foster care caseloads are projected to grow three percent between 2000 and 2001, while adoption caseloads are projected to grow 15 percent during the same year. A 6.5 percent rate increase in FY 2001 is also provided. No additional funding is provided in the second year. Fiscal year 2002 funding remains at the same level, \$51.1 million (total funds), provided in FY 2000 -- \$12 million less than FY 2001.
- ***Federally Required Improvements in Adoptions.*** Adds \$593,791 GF and \$1.9 million NGF the first year and \$613,202 GF and \$1.7 million NGF the second year to increase the number and timeliness of adoptions, as required by the federal Adoption and Safe Family Act. Virginia has one of the lowest rates in the nation for finding permanent homes for hard-to-place children currently in foster care. About 75 percent of the cost of these improvements would be supported by federal funds.
- ***Federal Requirements for Food Stamp Reinvestment.*** Provides \$374,994 GF the first year and \$133,334 GF the second year to

improve food stamp processing. Funding is required as an alternative to federal penalties imposed on Virginia for error rates higher than the national average.

- **Retiree Health Credits for Local Employees.** Provides \$292,059 GF and \$287,182 NGF each year to pay part of the cost of health insurance for local social services retirees covered by the Virginia Retirement System, as required by legislation adopted by the 1999 General Assembly.
- **Replacement of Reduced Revenue for Child Support Enforcement.** Increases general fund appropriations by \$3.4 million the first year and \$3.2 million the second year to offset projected declines in nongeneral fund revenue. With shrinking welfare caseloads and changes in federal laws, Virginia can no longer retain as much in collections for administration of the child support enforcement program.
- **Electronic Benefit Transfer (EBT) System.** Provides \$2.0 million GF and \$485,600 NGF each year to implement a federally mandated EBT system for distribution of food stamps. Federal law requires the system to be fully operational by October 1, 2002. DSS plans to hire a private vendor to design, install, and test the system during the 2000-2002 biennium.
- **Added Staff to Meet Federal and State Requirements.** Provides \$940,415 GF and \$3.0 million NGF to add 34 staff in DSS: 21 positions would license and inspect child and adult care facilities; six regional staff would assist localities in meeting accuracy requirements in eligibility determinations; three staff would provide EBT oversight and assistance; three staff would be added for evaluation and planning; and one position would be added for adoption programs.

Actions Related to the Federal TANF Grant on Welfare Reform

- **Reduction in Welfare (TANF) Caseload.** Reduces appropriations of federal funds by \$13.9 million NGF the first year and \$17.0 million NGF the second year to reflect the projected continuing decline in welfare caseloads. The 33,864 monthly caseload projected at the end of FY 00 is projected to drop to 32,235 in FY 01 and 31,324 in FY 02.
- **Reduction in VIEW Employment Services.** Reduces appropriations of federal funds by \$260,062 NGF the first year and \$1.3 million NGF the second year to reflect slightly less utilization of employment services by a declining number of welfare recipients.

- **Termination of Work Incentive Payments.** Reduces appropriations from the federal TANF grant by \$15 million NGF each year for work incentive payments that will no longer be paid to low-income working families with children. The federal Department of Health and Human Services (HHS) allowed Virginia to make the payments in 1999 as a “reasonable interpretation” of the federal law. However, HHS later ruled that the payments did not comply with its recently adopted regulations, so the program cannot continue as currently administered into the 2000-2002 biennium. Virginia’s work incentive payments started as a tax credit that eliminated state income tax for families with incomes at or below the federal poverty level. HHS also rejected that welfare reform innovation, labeling the tax credit “foregone revenue” rather than an allowable “expenditure” -- despite its \$15 million annual cost.

- **Expenditure of the Federal TANF Grant Balance.** Adds language that allows DSS to spend \$44.5 million NGF the first year and \$49.5 million the second year from the federal TANF grant on welfare reform. As a result, the estimated year-end balance in FY 2001 and FY 2002 is estimated at \$51.0 million and \$33.4 million. Permissible uses of the grant, and upper limits on each use, are listed in the budget bill:
 - ♦ Child day care subsidies (up to \$10.0 million per year);
 - ♦ Services for “hard to serve” welfare recipients, including substance abuse treatment, English as a second language, and GED preparation (up to \$15.0 million per year);
 - ♦ Family preservation, abstinence education, and other prevention programs (up to \$8.0 million per year);
 - ♦ Personal computers and Internet access as a support for education and employment (up to \$10.0 million per year);
 - ♦ Promotion of responsible fatherhood, mentoring for mothers, and other programs under a “Right Choices for Youth” initiative (up to \$2.2 million per year);
 - ♦ Replacement of federal reductions in the Social Services Block Grant (up to \$13.0 million per year);
 - ♦ A youth employment program, “Opportunity Knocks,” (up to \$500,000 per year); and
 - ♦ Employment programs for economically disadvantaged persons (up to \$200,000 per year).

**Proposed Spending for Federal Welfare (TANF) Grant
2002-02 Biennium (\$ in millions)**

	<u>State</u>	<u>Local</u>	<u>TANF</u>
Projected 2000 Year-End TANF Balance			\$ 68.1
MANDATED CORE BENEFITS & SERVICES:			
TANF Benefit Payments	\$ 126.3		67.8
Employment Support Services	41.4		61.3
Day Care for Welfare (State & Local)	34.1	\$ 8.5	
Child Support Pass-Through to Families	6.4		
Misc. Activities Counting as State Match	1.0		
ADMINISTRATIVE ACTIVITIES:			
Local Eligibility/Administration	10.1	10.8	22.9
State Administration	2.8		3.8
Information Systems	2.3		14.6
EXPANDED WELFARE REFORM PROGRAMS:			
Regional Employment Collaboratives			10.0
Foster Care/Adoptions Staff			8.6
Expansion of Transportation Grants			7.0
Training TANF Mothers as Day Care Providers			2.8
Individual Development Accounts	1.1		0.4
Hard-to-Serve (Dept. of Rehabilitative Services)			1.7
Fatherhood & Prevention Initiatives (Health)			2.2
TRANSFERS TO OTHER BLOCK GRANTS:			
<i>Child Care Development Fund</i>			
Direct Day Care Services			26.7
Child Care Licensing/Quality Activities			9.3
Child Day Care Licensing Regrades			0.8
<i>Social Services Block Grant</i>			
Comprehensive Services Act (CSA)			9.5
Special Needs Adoptions			4.0
BUDGET BILL CHANGES:			
Total New Initiatives Authorized in Budget Bill			94.0
EBT, Adoption Awareness, & Misc. Other			3.9
Total	<u>\$ 225.5</u>	<u>\$ 19.3</u>	<u>\$ 351.3</u>
Projected 2002 Year-End TANF Balance			\$ 33.4

Other

- **Base Budget Adjustment for Child Day Care Balances.** Reduces the base budget by \$6.0 million NGF each year for child day care subsidies for low-income families. The 1999 General Assembly added \$6.0 million in unspent balances from the federal child development block grant to the FY 2000 appropriation. These funds will be fully spent in FY 2000, so no balance is expected to continue into the 2000-02 biennium.
- **Federal Share of Legal Services Costs.** Adds \$155,829 NGF each year for the cost of legal services provided by the Office of the Attorney General for work related to federal programs.
- **Governor's Employment and Training Department**
 - **Federally Required Consolidation of Employment Programs.** Eliminates federal Job Training Partnership Act funding of \$96.1 million NGF for the biennium. The new federal Workforce Investment Act would be coordinated by the Virginia Employment Commission. GETD staffing would be reduced by 26 positions the first year and one more the second year. The six remaining positions would be responsible for promoting and evaluating workforce preparation programs within the Health and Human Resources Secretariat.
 - **Substitution of Federal TANF funds for State GF.** Provides \$639,200 each year in federal TANF funds instead of general fund appropriations for two employment programs for economically disadvantaged youth and adults.
- **Virginia Department for the Visually Handicapped**
 - **Rehabilitation Teachers for the Blind.** Adds three positions and \$200,000 GF each year to provide rehabilitation specialists for an increasing number of blind elderly persons.
 - **Braille Textbook Program.** Adds \$93,800 GF the first year and \$104,552 GF the second year to provide Braille textbooks for blind children.
 - **Adaptive Technology Specialist.** Adds one position in the Norfolk region to assist blind persons in adapting to their disability. Funding already provided within the agency budget would support the position.

Natural Resources

The Governor's proposed budget for Natural Resources agencies contains a net increase of \$35.3 million GF over the adjusted appropriation for current operations.

Over 95 percent of the general fund increase can be attributed to two agencies -- the Departments of Conservation and Recreation (DCR) and Environmental Quality (DEQ). The budget bill proposes \$34.0 million GF to be deposited to the Water Quality Improvement Fund (WQIF), with allocations of \$20.0 million for DEQ and \$14.0 million for DCR.

An additional \$3.4 million is recommended for DCR to assist in the purchase of four Civil War battlefields threatened by encroaching development. The Budget Bill also includes a proposal to reduce DCR's general fund budget by almost \$2.5 million and to replace the general fund loss with Water Quality Improvement Fund dollars.

Nongeneral funds are slated to increase by \$6.3 million -- \$2.9 million for DEQ's air pollution control program; \$1.8 million for wildlife management programs and other services of the Department of Game and Inland Fisheries; \$925,000 for DCR in anticipation of a federal grant from the Land and Water Conservation Fund; and \$570,877 for the Marine Resource Commission's programs for recreational saltwater fishing and oyster restoration.

Water Quality Improvement Fund

The General Assembly established the Water Quality Improvement Fund to provide grants to local governments, soil and water conservation districts, institutions of higher education, and individuals for point and nonpoint source pollution prevention, reduction and control programs. Funds come from 10 percent of any revenue surplus at the end of each fiscal year, along with 10 percent of unspent and unobligated balances. Language creating the program prohibits the Fund's use for agency operating costs.

Of the \$34.0 million to be deposited to the Fund, the proposed budget recommends using about \$19.0 million to support DEQ and DCR agency operations. Only about \$5.0 million is recommended for grants to local and regional entities to control point source pollution. The remaining \$10.0 million would be used for the cooperative nonpoint source pollution program as grants and payments to local governments, soil and water conservation districts, and individuals.

Proposed Uses of the Water Quality Improvement Fund

	FY 2001 (in millions)	FY 2002 (in millions)
<i>DEQ – POINT SOURCE PROGRAM</i>		
CSO Projects Richmond/Lynchburg	\$8.0	\$0.0
Construction Grants to Localities	5.0	0.0
Total Maximum Daily Loads	2.6	0.8
Poultry Litter Control	0.7	0.7
Fish Tissue Analyses	0.3	0.3
Bay Tributary Strategies	0.3	0.4
Wetlands Restoration	0.2	0.6
POINT SOURCE TOTALS	\$17.1	\$2.8
<i>DCR – NONPOINT SOURCE PGM.</i>		
Grants to Localities and Others	\$5.4	\$0.0
Landowner Payments	4.6	0.0
Total Maximum Daily Loads	1.0	0.5
Managing Water Quality Act	0.5	0.5
Conservation Reserve Program	0.4	0.1
Poultry Litter Control	0.4	0.4
BMPs Engineering Services	0.2	0.0
<u>NONPOINT SOURCE TOTALS</u>	<u>\$12.5</u>	<u>\$1.5</u>
ANNUAL ALLOCATIONS	\$29.6	\$4.3

- **Secretary of Natural Resources**
 - **Special Project Coordinator.** Provides \$44,537 GF each year and one position to oversee joint efforts by state agencies on overlapping issues, including Chesapeake Bay initiatives. Under the amendment, the position level for the Office of the Secretary of Natural Resources increases to six positions.

- **Dept. of Conservation and Recreation**
 - **Preserve Civil War Battlefields.** Recommends \$3.4 million GF the first year to leverage \$6.8 million of federal and private moneys. Budget language directs the funds to the Virginia Land Conservation Foundation for disbursement as grants to private non-profit organizations to acquire four threatened Civil War battlefields. These sites are at Brandy Station, Cedar Creek, Kernstown, and Opequon. The language further instructs the Department of Historic Resources to assist the Foundation and nonprofit organizations in the purchase of the battlefields.

- **Federal Land and Water Conservation Fund.** Includes \$925,000 NGF the first year to be deposited to the Virginia Land Conservation Fund. Previous federal grants were deposited to the Virginia Outdoors Fund to capitalize a revolving loan fund for local recreational development projects.
- **Dredging of Pretty Lake.** Provides \$100,000 GF the first year for the City of Norfolk to dredge a channel for boat access in Pretty Lake.
- **Water Quality Improvement Fund (WQIF).** Deposits \$14.0 million GF the first year to the Water Quality Improvement Fund for nonpoint source pollution control programs. Of this amount, \$12.5 million is allocated in FY 2001 and the remaining \$1.5 million is slated for allocation in FY 2002. Proposed spending includes:
 - ◆ *Total Maximum Daily Loads (TMDLs).* Provides \$1.0 million WQIF the first year and \$483,549 WQIF the second year for developing plans that identify all nonpoint sources that contribute to a waterbody's impairment and allocates reductions from those sources so water quality standards are achieved. Virginia has until the year 2010 to complete TMDLs for over 700 water segments identified by EPA and DEQ.
 - ◆ *Conservation Reserve Enhancement Program.* Provides \$5.0 million WQIF the first year and \$91,255 WQIF the second year to encourage farmers and other landowners to remove environmentally sensitive lands from production, in exchange for federal and state payments.
 - ◆ *Best Management Practices.* Includes \$200,000 WQIF the first year to contract for conservation engineering services. The best management practices program provides technical, engineering, and financial assistance to farmers to encourage voluntary reductions of nonpoint source pollution.
 - ◆ *Poultry Litter Control.* Recommends \$396,559 WQIF the first year and \$526,620 WQIF the second year to ensure that the 1,300 poultry farms in Virginia prepare and update site-specific nutrient management plans, in compliance with state law.
 - ◆ *Administrative Support.* Includes \$526,620 WQIF each year to support the agency's operating costs to administer the Water Quality Improvement Act.

- ♦ *Water Quality Improvement Fund Grants.* Recommends \$5.4 million WQIF the first year for local governments, soil and water conservation districts, other public bodies, and the private sector to support initiatives chosen by competitive proposal that achieve reductions in nonpoint source pollution.
 - **General Fund Reductions.** Reduces general fund support by \$1.2 million each year. General fund dollars and general fund positions are replaced with Water Quality Improvement Funds. Affected programs include Poultry Litter Control, TMDLs, Conservation Reserve Enhancement Program, and administration of the Water Quality Improvement Act.
- **Dept. of Environmental Quality**
 - **Clean Air Act Compliance.** Provides \$1.5 million NGF the first year and \$1.3 million NGF the second year and 24 positions to ensure compliance with permits issued under Title V, Title III (Air Toxics), and other provisions of the Clean Air Act. The funds are also to maintain and operate new types of monitoring systems needed to measure the air program’s effectiveness. Permit fees will support the appropriation.
 - **Water Quality Improvement Fund (WQIF).** Deposits \$20.0 million GF to the Water Quality Improvement Fund for point source pollution control programs. Of this amount, \$17.2 million is allocated in the first year. The remaining \$2.8 million is allocated in the second year. Proposed spending includes:
 - ♦ *Poultry Litter Control.* Includes \$667,285 WQIF the first year and \$703,174 WQIF the second year to support eleven positions to carry out the regulatory provisions of the poultry litter management program.
 - ♦ *Total Maximum Daily Loads (TMDLs).* Provides \$2.6 million WQIF the first year and \$804,505 WQIF the second year to support sixteen positions. DEQ is the lead agency on this multi-agency project, and is responsible for most of the water quality monitoring and modeling assignments.
 - ♦ *Fish Tissue Analysis.* Recommends \$310,800 WQIF each year for toxic monitoring and contaminant analyses and assessments of fish tissues. The program is to focus on PCBs, mercury, heavy metals, and pesticides in waters throughout Virginia.

- ♦ *Chesapeake Bay Tributary Strategies.* Provides \$315,260 WQIF the first year and \$450,824 WQIF the second year to support three positions to implement the state's Chesapeake Bay tributary strategies. Two of these positions are new. The federal Coastal Zone Management Grant Program previously supported the third position and the program's operating expenses. The federal grantor agency will no longer support the Tributary Strategies Program.
 - ♦ *Combined Sewer Overflow (CSO) Matching Fund.* Includes \$8.0 million WQIF the first year to be deposited to this fund for CSO projects in Lynchburg and Richmond. The funds will leverage federal dollars. Each city will receive \$4.0 million from the Fund and an additional \$4.0 million from federal funds.
 - ♦ *Wetlands Restoration.* Provides \$216,000 WQIF the first year and \$570,000 WQIF the second year to be transferred to the Game Protection Fund of the Department of Game and Inland Fisheries. The Game Department will inventory the number of acres of wetlands on state lands and initiate a matching grant program to restore wetlands on public and private properties. The amendment responds to a recommendation made by the Governor's Citizen Wetlands Advisory Committee to restore 600 acres of wetlands in calendar year 2000.
- **Dept. of Game and Inland Fisheries**
 - ***Managing the Capital Outlay Process.*** Recommends \$158,145 NGF the first year and \$151,762 NGF the second year and two positions to supplement the agency's efforts to manage its capital outlay program. The capital section of the Budget Bill includes almost \$13.1 million for the Department. The agency's 1998-2000 capital program is \$7.1 million.
 - ***Wildlife Management Technical Assistance.*** Provides \$198,331 NGF the first year and \$166,055 NGF the second year and three wildlife biologist positions. The amendment converts three part-time positions into full-time to respond to an increasing workload.
 - ***Watchable Wildlife Program.*** Includes \$230,724 NGF the first year and \$185,244 NGF the second year and two positions to develop a "watchable wildlife" program. The program builds upon current agency programs targeted at urban and suburban residents. The intent is to maximize opportunities for the public to enjoy the state's native wildlife.

- ***Embrey Dam Fish Passage Feasibility Study.*** Deposits \$121,250 of Game Protection Funds to the Fish Passage Grant and Revolving Loan Fund. The moneys will fulfill the Commonwealth's portion of the non-federal cost share for an Army Corps of Engineers study on the removal of the Embrey Dam located on the Rappahannock River. Removing the dam will make some 71 miles of the river accessible to migratory fish.
 - ***Wetlands Restoration.*** Recommends one NGF position to carry out the recommendation of the Governor's Citizens Wetlands Advisory Committee to restore wetlands. The funds for the activity will be transferred to the agency from the Department of Environmental Quality. The source of the funds is the Water Quality Improvement Fund.
- **Marine Resources Commission**
 - ***Oyster Shell Beds.*** Provides \$300,000 NGF the first year and \$160,000 NGF the second year to construct artificial oyster reefs. Of the \$460,000 biennial recommendation, \$320,000 is to come from special funds derived from the sale of the "Friend of the Chesapeake" license tags. This amendment was not considered by the Chesapeake Bay Restoration Fund Advisory Committee, which is charged by the General Assembly to advise the legislature on the expenditure of moneys received by the sale of these special license tags.

Public Safety

The Governor's proposed budget for Public Safety agencies contains a net increase of \$167.6 million GF (6.2 percent) over the adjusted appropriation for current operations. More than half of this increase is accounted for by two major items: funding for aid to localities with police departments (\$48.7 million), and the proposed SABRE project (\$41.5 million).

The budget, as introduced, for the Department of Criminal Justice Services includes \$48.7 million GF for the 2000-2002 biennium, to fully fund state aid to localities with police departments (HB 599) based on current revenue projections. An additional \$6.6 million in HB 599 funding is included in the caboose bill for fiscal year 2000.

The recommended budget also includes \$41.5 million GF for the proposed Substance Abuse Reduction Effort (SABRE), which includes funds for State Police for law enforcement, and for adult and juvenile corrections for treatment and supervision of drug offenders. This amount also includes \$4.5 million in deposits to the Corrections Special Reserve Fund for proposed legislation associated with the SABRE project.

Recommended funding for the Department of Corrections also includes \$14.9 million GF for direct inmate costs and \$6.0 million GF for increased costs of new computer networks. For the Department of Juvenile Justice, an additional \$17.6 million GF in the first year is recommended for capital and operating reimbursement for new juvenile detention homes.

The recommended budget for the Department of State Police includes \$5.0 million GF the first year for engineering costs associated with the new interagency land-mobile radio system, and \$6.0 million GF to lease four replacement helicopters, as well as one new helicopter and six positions for a new Medevac program serving the Lynchburg region.

Additional funding is provided in the Department of Military Affairs for full funding of tuition assistance for the National Guard, and additional costs associated with the operation of Fort Pickett and Camp Pendleton.

- **Substance Abuse Reduction Effort**

- **SABRE Project.** Includes \$41.5 million GF over two years for the proposed SABRE project, including increased drug law enforcement, treatment, and supervision. The recommended funding includes two proposed deposits totaling \$4.7 million to the Corrections Special Reserve Fund.

<u>Agency</u>	<u>SABRE Component</u>	<u>GF (Biennium)</u>
DOC	Residential Substance Abuse Treatment	\$2,888,500
	Outpatient Substance Abuse Treatment	\$7,500,000
	Drug Relapse Prevention	\$916,666
	Corrections Special Reserve Fund	\$4,536,900
DCJS	Local Substance Abuse Treatment	\$4,000,000
DJJ	Juvenile Drug Treatment Services	\$4,680,000
	Corrections Special Reserve Fund	\$174,276
<u>DSP</u>	<u>Special Operations Division (127 FTE)</u>	<u>16,835,367</u>
SABRE TOTAL		\$41,531,709

- ♦ **Department of Corrections SABRE Components**

- **Residential Substance Abuse Treatment.** Includes \$954,000 GF the first year and \$1.9 million GF the second year, and 23.0 FTE positions each year, to establish a residential transition treatment program for inmates released from prison-based therapeutic community treatment programs.
- **Outpatient Substance Abuse Treatment.** Includes \$2.25 million GF the first year and \$5.0 million GF the second year for outpatient substance abuse treatment services for probationers and parolees.
- **Drug Relapse Prevention.** Includes \$234,931 GF the first year and \$681,735 GF the second year for pilot drug relapse prevention programs in selected probation and parole districts.
- **Corrections Special Reserve Fund.** Includes \$4.5 million GF the first year for deposit into the Corrections Special Reserve Fund, as required by § 30-19.1:4 of the Code of

Virginia for the projected impact of proposed SABRE legislation.

♦ **Department of Criminal Justice Services SABRE Components**

- ***Local Substance Abuse Treatment.*** Includes \$1.5 million GF the first year and \$2.5 million GF the second year for local community corrections programs to provide substance abuse treatment services.

♦ **Department of Juvenile Justice SABRE Components**

- ***Juvenile Drug Treatment Services.*** Includes \$2.3 million GF each year for additional substance abuse treatment services for juvenile probationers and parolees.
- ***Corrections Special Reserve Fund.*** Includes \$174,276 GF the first year for the required deposit into the Corrections Special Reserve Fund, as required by § 30-19.1:4 of the Code of Virginia for the projected impact of legislation to increase the penalty for possession of a handgun by a juvenile.

♦ **Department of State Police SABRE Components**

- ***Special Operations Division.*** Includes \$9.8 million GF the first year, \$7.0 million GF the second year, and 127.0 FTE positions to focus on drug investigation and eradication. This provides for 111 state troopers and 16 support positions.

• **Department of Alcoholic Beverage Control**

- ***Increased Sales.*** Includes \$15.9 million NGF each year for increased purchases of alcoholic beverages for resale. A companion amendment in Part 3 of the budget reflects an increase of \$1.5 million each year in ABC profits transferred to the General Fund.
- ***Management Positions.*** Includes \$525,029 NGF each year and six positions to address one of the findings of a recent study conducted by the Secretary of Finance. The study recommended six new positions, including a Chief Operating Officer, Chief Financial Officer, Assistant Director for Wholesale and Retail Operations, and three new internal audit positions.

- **Study of Extended Store Hours.** Includes \$167,000 NGF the first year for additional wage costs for selected stores for the purpose of determining the feasibility of extending store hours of operation.
- **Department of Correctional Education**
 - **Contract Services for Lawrenceville.** Includes \$434,320 GF the first year and \$465,796 GF the second year for cost increases required in the supplemental contract with the Corrections Corporation of America (CCA) for educational services at Lawrenceville Correctional Center.
 - **Authority to Expend Nongeneral Funds.** Includes \$97,103 NGF the first year and \$98,445 NGF the second year from out-of-state contract prisoner revenues. These funds will be used to support educational services at adult correctional centers.
- **Department of Corrections**
 - **Out-of-State Prisoners.** Assumes the agency will continue to contract to house almost 3,200 out-of-state inmates each year, resulting in over \$136.7 million in nongeneral fund revenues. These revenues are generally proposed to be used to operate the Wallens Ridge, Sussex II, and St. Brides Correctional Centers. A portion of these revenues is proposed for (a) temporary support staff at Greensville Correctional Center, (b) transportation for the inmates to and from their home states, and (c) certain capital projects. After all expenses have been paid, the introduced budget assumes an increased transfer to the general fund of \$3.2 million the first year and \$1.5 million the second year.
 - **Prison Bed Impact of Youthful Offender Legislation.** Includes \$170,400 GF the first year for the required deposit into the Corrections Special Reserve Fund, for the projected impact of legislation related to the youthful offender program.
 - **Special Revenues for Substance Abuse Assessments.** Substitutes \$300,000 NGF for an equal amount of general funds each year, to reflect the use of revenues from the Drug Abuse Assessment Fund for the substance abuse screening and assessment program.
 - **Direct Inmate Costs.** Includes \$11.8 million GF and \$1.8 million NGF the first year, and \$13.9 million GF and \$1.0 million NGF the second year, for direct inmate costs. These include costs for food, clothing, medical care, and other expenses. The source of nongeneral funds are revenues received for housing out-of-state contract prisoners and the projected balance in the Corrections Special Reserve Fund.

- **Computer Network Operating Expenses.** Includes \$3.0 million GF each year for increased operating costs resulting from upgrading the agency's computer network. These costs include lease payments on computer hardware, telephone line charges, and charges levied by the Department of Information Technology.
- **Payments to Localities.** Includes \$815,006 GF each year for payments to localities and bond-related fees. Most of this amount represents payments in lieu of taxes, which are service charges imposed by localities for tax-exempt real estate owned by the Commonwealth. Also included is \$70,337 for the annual Bond Issuer's Fee for the Brunswick County Industrial Development Authority, which issued the bonds for the Lawrenceville Correctional Center.
- **Increased Private Prison Costs.** Includes \$328,305 GF and \$728,977 NGF the first year and \$831,858 GF and \$746,860 NGF the second year for increased payments to the Corrections Corporation of America (CCA). The additional funds are required for CCA to operate Lawrenceville Correctional Center, because more inmates are housed in the facility than originally projected, and the contract with CCA calls for an increase in the per diem rate. The source of the nongeneral funds is revenue derived from housing out-of-state prisoners.
- **Franklin County Jail.** Includes \$33,619 GF the first year for the 25 percent state share of the capital cost of upgrading the plumbing system in the Franklin County Jail.
- **Department of Criminal Justice Services**
 - **Aid to Localities with Police Departments.** Includes \$17.9 million GF the first year and \$30.6 million GF the second year to provide full funding for state aid to localities with police departments, otherwise known as the House Bill 599 program. A companion amendment to the caboose bill (HB 29/SB 29) also adds \$6.6 million GF for this program in FY 2000. These recommended increases are consistent with projected general fund revenue increases in the budget bills, as introduced.
 - **Virginia Institute of Forensic Science and Medicine.** Includes \$1.0 million each year for the newly-established institute, which is intended to train forensic scientists and pathologists to support the Division of Forensic Science and the Office of the Chief Medical Examiner. These and other funds will be used to match a \$1.5 million gift to establish the institute.
 - **Forensic Science Salaries.** Includes \$1.5 million GF each year to continue a six-step salary increase for forensic scientists to enable

the Division of Forensic Science to recruit and retain qualified personnel.

- **COPS Matching Funds.** Includes a reduction of \$2.5 million GF the second year for payments to localities for the matching funds required by the federal Community Oriented Policing (COPS) grant program. The federal grant program has not been reauthorized by Congress beyond FY 2001.
- **Drug Courts.** Includes \$533,000 NGF each year from Intensified Drug Enforcement Jurisdictions Fund (IDEA) for drug courts in the seventh (Newport News) and 15th (Fredericksburg area) judicial circuits. These funds would replace federal grant funds which are expiring. IDEA funds are generated from a portion of the fixed felony fee assessed by the courts for all felony convictions.
- **Private Security Regulation.** Includes \$17,692 NGF and one position each year to address the increased workload associated with regulation of private security agencies.
- **Jail Training.** Includes two additional general fund positions to assist in training for jail personnel.
- **Youth Gang Initiative.** Includes \$100,000 GF each year for a new grant program to assist localities in addressing the problem of youth gangs.
- **Safe Return Program.** Includes \$75,000 GF and one position each year to coordinate the Safe Return program, which assists law enforcement officers in helping persons suffering from Alzheimer's disease and related mental disorders.
- **Rural Domestic Violence Program.** Includes \$15,936 NGF and one position each year, to convert a wage position to full-time status to coordinate the Rural Domestic Violence Program. The source of the nongeneral funds is a federal grant.
- **New Partnership Position.** Includes one new position to support the New Partnership anti-crime program. No additional funds are recommended.

- **Department of Emergency Services**

- **Disaster Response Fund.** Includes \$300,000 GF the first year to replenish the disaster response fund, which is used primarily to support responses to hazardous materials incidents. When these incidents occur, the agency usually bills the responsible party for costs, but because the responsible party cannot always be determined an infusion from the general fund is needed. The

recommended amount provides for repayment of a line of credit from the general fund and still leaves a working balance of \$150,000.

- **Terrorism Response.** Includes \$500,000 GF the first year for detection and monitoring equipment to strengthen the agency's ability to respond to a terrorist attack or incident.

- **Department of Juvenile Justice**

- **Special Revenues for Substance Abuse Assessments.** Substitutes \$200,000 NGF for an equal amount of general funds each year, to reflect the use of revenues from the Drug Abuse Assessment Fund for the substance abuse screening and assessment program.
- **Medical Care Costs.** Includes \$1.8 million GF each year for increased medical and prescription drug costs.
- **Pay Differential for Beaumont.** Includes \$415,634 GF the first year and \$425,268 GF the second year to cover the cost of a two-step salary increase for correctional officers at Beaumont, to assist the facility in recruiting and retaining qualified officers.
- **Sex Offender Program at Culpeper.** Includes \$432,621 GF the first year and \$410,541 GF the second year, and five positions each year for sex offender treatment at Culpeper Juvenile Correctional Center. These funds will replace a federal grant that is no longer available.
- **Private Provider Beds.** Includes \$1.0 million GF each year to contract for private provider beds. These beds are needed primarily for those juveniles with mental and physical health needs that cannot be met in state facilities.
- **Transitional Services for Juvenile Offenders.** Includes \$3.0 million NGF the first year and \$6.5 million NGF the second year for transitional services for juvenile offenders leaving state facilities. The proposed source of nongeneral funds is federal funds under Title IV-E of the Social Security Act.
- **Augusta County Office on Youth.** Includes \$35,000 GF each year for a new juvenile delinquency prevention program serving Augusta County.
- **Transfer of Funds.** Recommends new language authorizing the Director, Department of Planning and Budget, to transfer funds from juvenile correctional center operations to private placement beds.

- **Detention Home Capital Expense Reimbursement.** Includes \$12.0 million GF the first year to reimburse localities for the state share of the capital cost of new local and regional juvenile detention facilities, totaling 199 new secure beds.

<u>Facility</u>	<u>State Share</u>
Roanoke Detention	\$4,027,037
Piedmont Detention	\$1,040,000
Henrico Detention	\$41,265
James River Regional Detention	\$3,120,000
Rappahannock Regional Detention	\$3,762,678
<u>Middle Peninsula/Merrimac Detention</u>	<u>\$32,635</u>
TOTAL	\$12,023,615

- **Detention Home Operating Expense Reimbursement.** Includes \$5.6 million GF the first year to reimburse localities for the state share of the operating cost of new local and regional juvenile detention facilities.

<u>Facility</u>	<u>State Share</u>
Roanoke Detention	\$1,355,213
Piedmont Detention	\$382,491
James River Regional Detention	\$1,870,000
Rappahannock Regional Detention	\$1,398,608
Shenandoah Valley Detention	\$365,720
Highlands Detention	10,740
W. W. Moore Detention (Danville)	\$170,264
<u>Fairfax Detention</u>	<u>\$92,333</u>
TOTAL	\$5,645,369

- **Department of Military Affairs**

- **National Guard Tuition Assistance.** Includes \$350,000 GF the first year and \$950,000 GF the second year to cover the full cost of

tuition at Virginia public colleges and universities, as a recruitment incentive for the Virginia National Guard.

- **Challenge Program.** Includes \$310,262 GF each year to replace federal funds that are being reduced for the Challenge Program for high school dropouts at Camp Pendleton. Also included is \$100,000 from nongeneral funds for this program.
- **Camp Pendleton.** Includes \$250,000 GF the first year to subsidize the operation of the State Military Reservation at Camp Pendleton. Federal funds and user charges have not been sufficient to cover the full cost of operation.
- **Fort Pickett Police Force.** Includes \$250,000 GF the first year, \$200,000 GF the second year, and four positions each year to establish a police force at Fort Pickett. A recent study by the Department of Criminal Justice Services found that a law enforcement unit under the control of the base commander was needed to maintain security.
- **Fort Pickett Maneuver Training Center.** Includes \$112,215 NGF and three positions to support the Maneuver Training Center at Fort Pickett. The number of active-duty U. S. Army units that utilize the center for training has increased, and current staff is insufficient to handle the workload. The nongeneral fund revenues are provided by the federal National Guard Bureau.
- **Fort Pickett Maintenance Positions.** Includes \$531,789 NGF and 17.0 FTE positions each year to replace retiring U. S. Department of the Army civilian employees. These positions, which provide maintenance support for Fort Pickett, cannot be replaced with federal civilian employees, so additional state FTE positions are required. The nongeneral fund revenues are provided by the federal National Guard Bureau.
- **Armory Repair Projects.** Includes \$250,000 GF the first year and \$500,000 GF the second year for maintenance projects at various Virginia National Guard armories and logistical support facilities across the Commonwealth.
- **Air National Guard Repair Projects.** Includes \$5,500 GF and \$16,500 NGF each year for operation and maintenance of Air National Guard facilities. These funds are intended to address mechanical, plumbing, and electrical repair projects at older facilities. The federal National Guard Bureau provides 75 percent of the cost of this program.
- **Technical Adjustments.** Includes a series of technical adjustments using nongeneral funds (for example, soldier welfare funds). These

recommended amendments address items such as recreation programs at Fort Pickett, soldier billeting, miscellaneous armory expenses, and an additional \$100,000 for the Commonwealth Challenge program.

- **Department of State Police**

- ***Interagency Radio Communications System.*** Includes \$5.0 million GF the first year for the initial engineering costs of the proposed interagency land-mobile radio system. Language in the budget, as introduced, authorizes the expenditure of these funds for land acquisition for radio towers and construction of a communication control building.
- ***New Helicopter Lease and Medevac.*** Includes \$2.9 million GF the first year, \$3.1 million GF the second year, and six positions each year for new helicopters statewide and a new Medevac unit in Lynchburg. The helicopter proposal assumes a seven-year lease:
 - to replace all four of the State Police single-engine helicopters (based in Richmond, Lynchburg, Abingdon, and Manassas); and,
 - to increase the number of twin-engine helicopters from two to three (adding a twin-engine helicopter at Lynchburg to the existing twin-engine helicopters at Richmond and Abingdon).

The six new positions are proposed to create a new Medical Evacuation (Medevac) unit serving Lynchburg and the surrounding region.

Technology

The Governor’s proposed budget for Technology agencies contains a net increase of \$37.4 million GF over the adjusted appropriation for current operations. General fund support for technology operations and initiatives is more than double the amount approved in the previous biennium.

Initiatives include increased technology and telecommunications support services for state agencies generally, an expanded geographic information program, and implementation or coordination of a series of new technology programs. These new programs include a technology research grant initiative for the states colleges and universities, an expanded grant program to provide internet access through community organizations such as libraries, expansion of educational website services which support the Standards of Learning (SOL), and a technology worker training and retention initiative.

<u>Technology Initiatives</u>	
	<u>millions</u>
Higher Education Research Grants	\$ 20.0
Internet Access-Community Organizations	8.7
Geographic Information Systems	4.4
Technology Industry Internships	1.1
Assist State Agency Procurements	0.9
Other (Net) Adjustments	<u>2.2</u>
Total	\$ 37.4

- **Secretary of Technology**
 - **Added Position** Increases by \$35,648 GF and one position each year, based on current and projected workload growth.
- **Department of Information Technology**
 - **Expand State Agency Support** Proposes an increase of \$1.3 million NGF each year and twenty positions to expand services for state agencies and institutions. The source of the department’s nongeneral funds (NGF) are internal service fund charges to agencies based on specific projects and system utilization.

- **Expand Telecommunications Services** Adds \$114,553 NGF the first year, \$229,109 NGF the second year, and three positions to expand the agency's expertise and consulting services in telecommunication.
- **Information System Procurement** Proposes to transfer the responsibility for oversight of information systems procurement from the Department of General Services to DIT by adding \$633,344 GF the first year, \$313,673 GF and \$313,673 NGF the second year, and six positions. The proposal anticipates that the program will be fully supported by user charges beginning in the second year, and that general fund support can be phased out at that time.
- **Department of Technology Planning**
 - **Expand Geographic Information System Program** Increases by \$843,029 GF the first year, \$3.6 million GF the second year, and one position to expand geographic information system support for regional crime analysis, land use planning, economic development, disaster response and related activities, and to create a digitized map database.
 - **Increase Staffing** Adds \$896,162 GF the first year, \$765,787 GF the second year, and ten positions to expand technology planning, analysis and over-sight activities.
 - **Competitive Grant Program** Proposes the creation of a new competitive grant program and expansion of a Library of Virginia program titled "Empowering the Commonwealth." The initiative adds \$3.5 million GF the first year and \$5.2 million GF the second year for technology grants to local community organizations such as libraries.
 - **Technology Internship Program** Includes \$1.1 million GF and one position the second year to establish an internship program for students and potential long-term employers.
 - **Expand K-12 Website** Adds \$410,000 the first year to expand the Department of Education's website(s), and to provide increased access and information for parents and teachers related to the Standards of Learning (SOL).
- **Innovative Technology Authority**
 - **Higher Education Research Initiative** Proposes the allocation of \$20 million GF in the second year to create a "Technology Competitiveness Fund," to promote research and economic development through Virginia's public institutions of higher

education. The initiative is intended to leverage federal and private research dollars, help institutions recruit and outfit the labs of outstanding research faculty, and to help attract specific firms to locate or expand their operations in Virginia.

- **Reduce Advance Communications Fund** Reduces funding by \$500,000 GF each year for the Advanced Communications Assistance Fund. The program was established by legislation adopted in the 1999 session. The Fund makes direct grants or loans to communities to aid the development of telecommunications infrastructure.
- **Technology Conference** Includes \$300,000 GF the first year to support a technology conference for business and industry officials.
- **Adjust Technology Center Funding** Reduces funding by \$73,735 GF the first year, and \$117,247 GF the second year, to reflect projections for grants to existing technology centers.
- **Virginia Information Providers Authority**
 - **Expand State Agency Services** Includes \$1.3 million NGF the first year and \$1.5 million NGF the second year, which reflects increased utilization, and therefore user charges, to state and local agencies and institutions for web site design and maintenance services from VIPNet.

Transportation

The Governor's proposed budget for Transportation agencies provides a net increase of \$945.3 million NGF over the adjusted appropriation for current operations. In addition, an increase of \$423.9 million in general funds is recommended. This GF total is offset by a proposed \$14.1 million reduction in general fund support for the U.S. Route 58 Corridor Development Program and the Northern Virginia Transportation District Program. Debt service for these programs is proposed to be funded from Commonwealth Transportation Funds.

The proposed budget provides \$6.9 billion in the 2000-2002 budget, an increase of 24 percent over the 1998-2000 activity-based budget. Of the \$6.9 billion, \$994.0 million is proposed to fund a series of transportation items referred to as "Innovative Progress" that was announced in August, 1999.

The recommended budget assumes passage of legislation to securitize up to 40 percent of the Commonwealth's allocation from the Tobacco Settlement. The budget includes \$570.1 million from this transaction, which involves selling up to 40 percent of the Settlement revenues to the "Tobacco Settlement Financing Corporation." This \$570.1 million is included in the \$945.3 million increase in total NGF funding, which is referred to above.

Transportation Proposals

In August, 1999, a series of proposals was announced to address transportation concerns in the Commonwealth. The proposed budget includes the following funding for these items:

Sources of Funds

- **Sale of Tobacco Assets to Fund a Priority Transportation Fund.** Recommends an estimated \$570.1 million in the first year for deposit into the proposed Priority Transportation Fund. In addition, language is recommended giving the Governor the authority to sell up to 40 percent of the tobacco assets to the proposed Tobacco Settlement Financing Corporation after July 1, 2001.
- **General Funds for Transportation.** Recommends \$423.9 million in general funds. [This total does not include a proposed \$14.1 million reduction in general fund support for the U.S. Route 58 Corridor Development Program and the Northern Virginia Transportation District Program.]

Uses of Funds

- **Payback to the Transportation Trust Fund.** \$200 million which was diverted from the Transportation Trust Fund during the 1990-92 recession is slated to be repaid in the introduced budget. The \$200 million is recommended to be spent as follows:
 - ♦ An additional \$157.4 million for the highway construction program, which represents the 78.7 percent share for highway construction.
 - ♦ A total of \$29.4 million to mass transit, with \$1.0 million designated for payment of the debt service on the Eastern Shore Railroad, which represents the 14.7 percent share for mass transit.
 - ♦ A total of \$8.4 million to ports, which represents the 4.2 percent share for ports. Budget language designates \$2.4 million for the continued study of the Craney Island Dredged Material Management Area, and \$700,000 for the first phase of an \$18.1 million dredging of the inbound channel of the Norfolk Harbor.
 - ♦ A total of \$4.8 million to aviation, which represents the 2.4 percent share for aviation. Budget language designates \$2 million in the first year for the Smithsonian Institution for the National Air and Space Museum Extension at Dulles.

- **Creation of the Priority Transportation Fund.** The budget proposes using \$794.0 million to create a Priority Transportation Fund from all sources, including:
 - ♦ \$212.3 million from the general fund. Budget language earmarks \$25 million in the first year for capitalizing the Virginia Airports Revolving Loan Fund. Language also proposes earmarking \$10 million in the second year for teleworking tax credits for employers who establish incentives for employees to telework in the regions of the state that have not attained federal air pollution limits.
 - ♦ \$570.1 million in estimated proceeds which result from the sales of 40 percent of the Tobacco Settlement revenues to the proposed Tobacco Settlement Financing Corporation.
 - ♦ An estimated \$11.6 million in the second year, which represents the remaining Tobacco Settlement revenues not sold to the proposed Tobacco Settlement Financing Corporation.

- **Reduction of GF Support for Debt Service.** These totals do not include a proposed reduction of \$14.1 million in general fund support for the U.S. Route 58 Corridor Development Program (\$7.7 million) and the Northern Virginia Transportation District Program (\$6.4 million). The proposed budget supplants these general funds with Commonwealth Transportation Funds. However, the proposed budget does include the \$40 million GF each year for the U.S. Route 58 Corridor Development Program.

Summary of the Transportation Proposals Presented in HB/SB 30 (in millions)		
<u>Sources of Funds</u>		<u>Totals</u>
• General Fund Appropriations	\$ 423.9	
• Securitization of 40% of Tobacco Settlement Funds	570.1	
Total	\$ 994.0	
Uses of Funds		
• General Funds Appropriated to the TTF	\$ 200.0	
- Highway Construction (78.7%)		157.4
- Mass Transit (14.7%) <i>Eastern Shore RR (\$1.0)</i>		29.4
- Ports (4.2%) <i>Craney Island Study (\$2.4)</i> <i>Norfolk Harbor Dredging (\$0.7)</i>		8.4
- Aviation (2.4%) <i>Air & Space Museum Annex (\$2.0)</i>		4.8
• Priority Transportation Fund	794.0	
- General Fund Deposit <i>Airports Revolving Loan Fund (\$25.0)</i> <i>Telework Tax Credit (\$10.0)</i>		212.3
- Sell 40% of Tobacco Settlement		570.1
- Deposit Residual Tobacco Settlement Funds after the Securitization Sale		11.6
Total	\$ 994.0	

- **Secretary of Transportation**
 - ***Language Allowing Transfer of Funds between DMV and the Commonwealth Transportation Fund.*** Proposes language that allows the Secretary of Transportation to transfer funds from the Commonwealth Transportation Fund to the Department of Motor Vehicles for its continuing operation.

- **Department of Aviation**
 - ***Increased Transportation Trust Fund Revenues.*** Includes an additional \$3.9 million for aviation activities due to projected increases in transportation revenues. This total is in addition to the amounts proposed through the August, 1999, transportation initiatives.

- **Department of Transportation**
 - ***Increased Transportation Trust Fund Revenues.*** Includes an increase of \$74.7 million to reflect projected increases in federal and state transportation revenue. This total is in addition to the amounts proposed through the August, 1999, transportation initiatives.
 - ***Maintenance Program.*** Recommends \$91.5 million NGF to address the increasing highway maintenance needs resulting from new inventory and mandates, preventive maintenance on bridges and pavements, and the replacement of traffic signals and signs.
 - ***Maximum Employment Level.*** Recommends language giving the Governor the authority to increase the maximum position level as necessary to carry out transportation programs.
 - ***Technology.*** Recommends \$20 million NGF for development and implementation of computer systems applications that are the first phase of a technology improvement plan.
 - ***Employee Training and University Engineering Scholarship Program.*** Recommends \$1.2 million NGF in the first year for the implementation of an engineering scholarship program and the continuation and implementation of employee training programs, including customer service.
 - ***Commonwealth's Transportation Board's Six-Year Financial Plan.*** Proposes \$149.2 million NGF in adjustments based on the Commonwealth Transportation Board's current Six-Year Financial Plan for the 2000-02 biennium.

- Each year the Commonwealth Transportation Board adopts a six-year financial plan. Recommendations in this plan traditionally have been implemented through administrative adjustments at the beginning of each fiscal year. This year, the introduced budget makes these changes instead.
- The proposed adjustments occur primarily in maintenance and construction, with the remainder recommended for administration, technology, and research.
- **Department of Rail and Public Transportation**
 - **Increased Transportation Trust Fund Revenues.** Includes an additional \$15.1 million from projected increases in state transportation revenues. This total is in addition to the amounts proposed through the August, 1999, transportation initiatives.
 - **Transit Planning.** Recommends \$0.3 million NGF and two positions to expand the transit planning function as it relates to traffic congestion.
 - **Paratransit Assistance.** Eliminates \$1.6 million Oil Overcharge Trust Funds for “paratransit” services for the elderly and disabled.
- **Virginia Port Authority**
 - **Increased Transportation Trust Fund Revenues.** Includes an additional \$6.3 million from projected increases in state transportation revenues. This total is in addition to the amounts proposed through the August, 1999, transportation initiatives.
 - **Establish Office in Argentina.** Recommends \$0.35 million NGF to establish a trade office in Buenos Aries, Argentina.

Central Appropriations

The recommendations for Central Appropriations contain \$1,533.6 million in general funds used to supplement state agency budgets for unallocated or unbudgeted costs. These funds are designated for a variety of purposes, including state employee salary increases, economic contingencies to address emergencies, higher education equipment lease payments, the Governor's discretionary economic development "Deal Closing Fund", and the Personal Property Tax Relief Fund.

This section of the budget also includes the appropriation of \$172.2 million NGF of tobacco settlement funds for the biennium. These funds are proposed to be used to establish the Tobacco Settlement Fund (\$28.7 million NGF), and the Tobacco Indemnification and Community Revitalization Fund (\$143.5 million NGF).

Finally, the budget contains four appropriation reversions which together reduce agency budgets by \$112.4 million. These reversions are projected savings from productivity increases (\$91.7 million GF); a premium holiday for automobile liability insurance (\$2.4 million GF); a premium holiday for performance indemnity bonds (\$0.2 million GF); and elimination of the first year and partial elimination of the second year of prefunding for the retiree health insurance credit (\$18.1 million GF).

Personal Property Tax Relief Program

The introduced budget includes \$572.4 million GF the first year and \$855.4 million GF the second year to continue phased elimination of the personal property tax on personally owned vehicles assessed at under \$20,000. During the 2000-2002 biennium the phase-in will increase from 47.5 percent of assessed value to 100 percent of assessed value.

Projected funding requirements for 2000-02 are higher than anticipated last year -- largely due to substantial increases in new car sales. For the 2000-02 biennium, additional funding for the program totals about \$878.1 million more than the amount appropriated for FY 2000.

Tobacco Settlement Funds

The introduced budget also reflects monies received from the national Tobacco Master Settlement Agreement (MSA). A total of \$235.3 million in Settlement revenues is included in the 2000-02 budget. Sixty percent of this amount is budgeted in the Central Accounts as nongeneral fund revenue, in keeping with legislation adopted last session establishing dedicated funds for specific purposes.

Fifty percent of the revenue received is earmarked and appropriated for the Tobacco Indemnification and Community Revitalization Fund. Another 10 percent is allocated to the Virginia Tobacco Settlement Foundation Fund. The remaining amounts are included as general fund revenue. In FY 2001, the full 40 percent is appropriated for transportation purposes. In FY 2002, the budget assumes that securitization of the 40 percent of revenues will occur, and that \$11.6 million will remain as the residual -- after the sale. The table below outlines the proposed budget for MSA revenues.

Sources of Tobacco Settlement Funds					
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>TOTAL</u>	
Initial Payment	\$ 93.5	\$ 45.6	\$ 46.8	\$ 185.9	
Annual Payment	<u>73.0</u>	<u>83.3</u>	<u>111.3</u>	<u>267.6</u>	
Total	166.5	128.9	158.1	453.5	
Uses of Tobacco Settlement Funds					
Tobacco Commission (50%)	Revitalization NGF	83.3	64.5	79.1	226.8
Tobacco Settlement Foundation (10%)	NGF	16.7	12.9	15.8	45.4
Unallocated (40%) - General Fund		66.6	51.6	11.6*	129.8

* In FY 2002, the amount shown is the residual -- after securitization of 40% of MSA revenue has occurred.

Of the total MSA revenues provided to the Tobacco Indemnification and Community Revitalization Fund in FY 2001 and FY 2002, the introduced budget allocates \$69.1 million NGF for 21 projects and programs, which are listed below.

<u>Agency</u>	<u>Project</u>	<u>FY 2001</u>	<u>FY 2002</u>
VPI&SU	Biomedical Sciences Complex, Phase I	1,900,000	0
VPI&SU	Biotechnology Center	3,158,314	6,512,962
Longwood	Science Building	14,153,000	0

<u>Agency</u>	<u>Project</u>	<u>FY 2001</u>	<u>FY 2002</u>
UVa. At Wise	Classrooms and Technology Center	2,500,000	0
Southwest Va. CC	Learning Resource Building	6,815,000	0
Central Va. CC	Manufacturing Technology Building	4,545,000	0
New River CC	Occup. & Technical Equipment	522,500	522,500
Southside Va. CC	Occup. & Technical Equipment	16,000	16,000
Paul D. Camp CC	Occup. & Technical Equipment	55,500	55,500
Danville CC	Occup. & Technical Equipment	585,500	585,500
Patrick Henry CC	Occup. & Technical Equipment	160,000	160,000
Va. Western CC	Occup. & Technical Equipment	551,500	551,500
Wytheville CC	Occup. & Technical Equipment	330,500	330,500
Central Va. CC	Occup. & Technical Equipment	435,500	435,500
Southwest Va. CC	Occup. & Technical Equipment	684,500	684,500
Va. Highlands CC	Occup. & Technical Equipment	329,000	329,000
Mountain Empire CC	Occup. & Technical Equipment	169,500	169,500
Radford	Technology Education	2,190,405	3,194,904
Dept. of Conservation	Hemlock Haven Conference Center & Lake Enhancement at Hungry Mother State Park	3,231,000	
Mus. of Natural History	Museum Facility	<u>8,000,000</u>	<u>5,173,000</u>
Total		50,332,719	18,720,866

The introduced budget also includes \$12.9 million NGF the first year and \$15.8 million NGF the second year for the Virginia Tobacco Settlement Fund, for the purpose of reducing and preventing tobacco use by minors.

- **Compensation Supplements**

- **November 25, 2000 Salary Increase.** Recommends \$33.5 million GF the first year and \$60.8 million the second year to provide a 2.4 percent salary increase for state employees on November 25, 2000 and state-supported local employees on December 1, 2000. The difference in effective dates is the results from implementation of lag pay.

As proposed, the salary increase would be paid to employees with performance ratings of "meets expectations" or better. An additional \$44.3 million GF is budgeted directly to the institutions of higher education as the cost of merit-based increases for faculty.

- **Classified Pay Plan Reform.** Recommends \$1.2 million GF the first year and \$0.8 million GF the second year for up-front administrative costs associated with reform of the classified employees' pay plan.

- **Technical Adjustments for VRS Contributions.** Provides \$36.8 million GF the first year and \$38.5 million GF the second year for increases in VRS rates. This increase is due to (1) miscellaneous actuarial adjustments; (2) completion of the five-year phase-in of pre-funding for annual cost-of-living adjustments (COLAs); and, (3) implementation of the Virginia Law Enforcement Officers Retirement System (VaLORS).
- **Technical Adjustments for VRS Retiree Health Insurance Credit Rates.** Recommends an additional \$29.2 million GF the first year and \$30.5 million GF the second year for increases in VRS rates for the Retiree Health Insurance Credit. This increase is the net result of (1) miscellaneous actuarial adjustments, (2) legislative action to increase the credit from \$2.50 per year a service to \$4.00 per year of service, and (3) pre-funding of the credit.
- **Revert Pre-funding of Health Insurance Credit.** Proposes reversion of \$9.8 million GF the first year and \$8.2 million GF the second year to alter a proposed pre-funding the VRS Retiree Health Insurance Credit. The introduced budget anticipates a phase-in of pre-funding for these credits in the second year of the biennium, rather than full pre-funding in each year.
- **Technical Adjustments for Group Life Insurance Premiums.** Provides an additional \$18.3 million GF the first year and \$19.0 million GF the second year to fully fund the VRS-approved premiums for the group life insurance program. The VRS actuary has recommended premium rates of 0.80 percent of salary for both years.
- **Deferred Compensation Match**
 - **Deferred Compensation Match.** Proposes funding of \$11.1 million GF the first year and \$11.1 million GF the second year for the matching deferred compensation program. This level of funding will provide a maximum match of \$10 per pay period.
- **Reversion Clearing Account**
 - **Productivity Savings.** Projects agency savings of \$91.7 million GF for the biennium from unspecified productivity improvements. Although not captured until the second year, these savings are calculated as 1 percent of non-exempted personal service and 2 percent of non-exempted non-personal service each year for Executive Branch agencies.

Exempted personal service amounts includes adult and juvenile correctional officers, mental health direct care positions, and all

higher education staff. Exempted non-personal service includes aid to localities, continuous charges, and all of higher education.

- **Automobile Liability Premium Holiday.** Proposes savings of \$1.2 million each year by eliminating Automobile Liability insurance premium contributions during the 2000-2002 biennium due to large reserves in the fund.
- **Performance Indemnity Bond Premium Holiday.** Recommends savings of \$1.2 million GF each year by eliminating Performance Indemnity Bond premium contributions during the 2000-2002 biennium due to large reserves in the fund.

- **Economic Contingency**

- **Deal Closing Fund.** Provides \$30.0 million GF in the first year for the "Deal Closing Fund," which may be used by the Governor for a variety of purposes to further economic development efforts. These activities are targeted to attract new industry to Virginia and to assist existing companies expand their employment and capital investment.
- **Motion Picture Opportunity Fund.** Provides \$1.0 million GF each year for the "Motion Picture Opportunity Fund," which is intended to be used by the Governor for a variety of purposes to attract film production to Virginia.
- **Workforce Training Access Fund.** Provides \$250,000 GF in the first year and \$250,000 GF the second year for the "Workforce Training Access Fund ". The fund would be used to guarantee student loans made to individuals enrolled in technology related training.
- **Regional Visitor Centers.** Provides \$6.0 million GF the first year to enter into public-private partnerships to establish a series of regional visitor centers.
- **Economic Contingency Fund.** Proposes an appropriation of \$3.0 million GF the first year for the Economic Contingency Fund. This fund may be used to supplement the appropriations to state agencies in case of an emergency or an unexpected cost increase. In addition to this direct appropriation, language authorizes the Governor to use up to \$1.0 million GF of the unappropriated general fund balance for purposes of economic contingency.

- **Higher Education Desegregation Plan**

- **Higher Education Desegregation Plan.** Continues funding for the Higher Education Desegregation Plan at \$3.8 million GF each year.

- **Legal Defense**
 - ***Legal Defense.*** Continues funding for Legal Defense at \$50,000 GF each year.

- **Health Insurance Administration**
 - ***Employer Premium Increases.*** Proposes \$32.3 million GF for the biennium fund a first year premium increase for the employee group health insurance plan.

- **Refunds of Taxes and Fees**
 - ***Sum Sufficient.*** Proposes a sum sufficient appropriation from which to pay refunds of taxes and fees.

Independent

The Governor's proposed budget for Independent agencies contains a net decrease of \$1.5 million GF and a net increase of \$34.5 million NGF when compared to the adjusted appropriation for current operations.

Funding increases totaling \$37.8 million NGF are included for the Virginia Retirement System – (\$6.3 million NGF); the State Corporation Commission – (\$23.7 million NGF); the Lottery Department – (\$5.4 million NGF); the Virginia Higher Education Tuition Trust Fund Board – (\$1.7 million NGF); and the Workers' Compensation Commission – (\$0.7 million NGF).

Funding of \$1.5 million GF and \$3.3 million NGF for the Virginia Office of Protection and Advocacy is proposed to be transferred to the Office of Administration.

The largest single increase is \$10.9 million NGF for the State Corporation Commission to support the existing pay plan.

- **Virginia Retirement System**
 - **Employer and Employee Communications.** Provides an additional \$146,455 NGF and 1.00 FTE position the first year and \$88,300 NGF the second year to support enhancements in communications with employers and employees on benefit related topics
 - **Information Systems.** Proposes an additional \$1,643,826 NGF and 2.00 FTE positions the first year and \$1,400,587 NGF the second year for enhanced information systems.
 - **Matching Deferred Compensation Program.** Proposes an additional \$159,024 NGF and 1.00 FTE position the first year and \$93,986 NGF the second year for implementation and support of the new matching deferred compensation program.
 - **Convert Wage Positions to Full-time.** Proposes an additional \$141,398 NGF and 19.00 FTE positions the first year and \$141,398 NGF the second year to convert wage part-time wage positions to full-time status.
 - **Disability Management.** Proposes an additional \$220,000 NGF the first year and \$220,000 NGF the second year to improve the management of disability cases, by implementing a Social Security Advocacy program, and expanding a pilot program to follow-up on disability retirement cases.

- **Internal Investment Services.** Provides an additional \$327,119 NGF and 4.00 FTE positions the first year and \$819,288 NGF and 8.00 positions the second year to provide in-house support of the VRS investment programs. These support services are currently provided on a contractual basis.
- **Retirement Application Process.** Proposes an additional \$250,000 NGF the first year and \$250,000 NGF the second year for consultant services to simplify and automate the retirement application process.
- **Fiduciary and Directors Liability Insurance.** Includes an additional \$400,000 NGF the first year to renew the existing insurance policy for fiduciary liability and directors and officers liability.
- **State Corporation Commission**
 - **Electric Utility Deregulation** Proposes an additional \$355,000 NGF the first year and \$355,000 NGF the second year to hire expert legal consultants in the area of electric utility deregulation.
 - **Workload Increase.** Provides an additional \$1,174,299 NGF and 36.00 FTE positions the first year and \$2,393,681 NGF and 42.00 FTE positions the second year for increased workload in six divisions.
 - **The Virginia Relay Center.** Includes an additional \$3,088,000 NGF the first year and \$3,088,000 NGF the second year for operation of the Virginia Relay Station in Norton, Virginia. This reflects the costs of the updated operating contract.
 - **Management Information Systems.** Proposes an additional \$1,774,000 NGF the first year and \$1,314,000 NGF the second year to modernize the case management and document management systems.
 - **Personnel Costs.** Provides \$4,559,600 NGF and 16.00 FTE positions the first year and \$6,359,600 NGF the second year for ongoing costs of the Commission's previously approved performance pay system, and positions established during the 1998-2000 biennium.
- **Lottery Department**
 - **Staffing Level.** Proposes an additional \$824,579 NGF and 17.00 FTE positions the first year and \$620,613 NGF positions the second year. Nine of these positions are for increased workload and eight positions restore planned operating efficiencies that did not materialize.

- **Advertising.** Includes an additional \$2,000,000 NGF the first year and \$2,000,000 NGF the second year to advertise lotto jackpots and inform the public that lottery profits support public education.
- **Higher Education Tuition Trust Fund Board**
 - **Workload Increase.** Proposes an additional \$835,915 NGF and 19.00 FTE positions the first year and \$835,915 NGF the second year to address increased workload resulting from moving several contractual services to in-house operations.
- **Virginia Office of Protection and Advocacy**
 - **Transfer to the Office of Administration.** Proposes to transfer the appropriation for this agency - \$729,206 GF and, \$1,633,674 NGF and 26 FTE positions the first year and \$729,206 GF and, \$1,633,674 NGF the second year - to the Office of Administration.
- **Workers' Compensation Commission**
 - **Workload Increase.** Includes an additional \$347,711 NGF and 9.00 FTE positions the first year and \$695,422 NGF the second year for increased workload.
- **MCV Hospitals Authority**
 - **MEL Adjustment.** Proposes to eliminate the Maximum Employment Level of 3,727.38 FTE positions for the MCV Hospitals Authority in the second year. This reflects the change in their status from state employees to employees of the authority.

Historic Landmarks and Nonstate Agencies

The Governor's proposed budget for historic landmarks and nonstate agencies provides \$20.7 million GF for the 2000-20002 biennium. In addition to agencies listed in this item, the proposed budget also recommends \$2.3 million GF and \$14.2 million NGF for nonstate agencies located in other budget areas.

- **Historic Landmarks and Nonstate Agencies**
 - Adds \$11.9 million GF in the first year and \$9.6 million GF in the second year for historic landmarks and nonstate agencies in Item 571. These funds are grants to nonstate groups and organizations primarily for historical and cultural purposes and must be matched by a local contribution.

Language is eliminated that allows agencies to provide local matching amounts through either cash or in-kind contributions.

<u>Entity</u>	<u>FY 2001</u>	<u>FY 2002</u>
American Theatre	\$50,000	\$0
Art Museum of Western Virginia	500,000	500,000
<u>Association for the Preservation of Virginia Antiquities</u>	2,000,000	1,000,000
Barter Theatre	200,000	200,000
<u>Belle Grove Plantation</u>	30,000	0
Blue Ridge Zoological Society	250,000	250,000
Chesapeake Museum	100,000	100,000
Children's Museum of Richmond	550,000	550,000
Chincoteague Visitor Center	250,000	250,000
Council for America's First Freedom	300,000	300,000
Cultural Arts Center at Glen Allen	75,000	75,000
<u>Frederick County Courthouse</u>	50,000	0
George C. Marshall Research Foundation	75,000	75,000
Glass Glen Burnie Museum	100,000	100,000
Greene County Senior Center and Library	50,000	50,000
Hampton History Museum	300,000	300,000
Henricus Foundation	100,000	100,000

<u>Entity</u>	<u>FY 2001</u>	<u>FY 2002</u>
<u>Hopewell Preservation, Inc.</u>	125,000	125,000
<u>Kenmore</u>	150,000	150,000
<u>King and Queen County Historical Society</u>	47,000	0
La Crosse, Town of	\$10,000	\$0
Lewis Ginter Botanical Garden	200,000	200,000
Mathews County Library	62,500	62,500
Maymont Foundation	200,000	200,000
<u>Montpelier</u>	350,000	350,000
National Aeronautics and Space Administration	250,000	250,000
National Maritime Center Foundation, for U.S.S. Wisconsin	250,000	250,000
National Slavery Museum	1,000,000	0
<u>Poplar Forest</u>	200,000	200,000
Prevent Blindness Virginia	37,500	37,500
<u>Red Hill</u>	50,000	0
Richmond Ballet	50,000	0
Rockingham County Library	50,000	50,000
South Norfolk Armory	100,000	100,000
Special Olympics Virginia	100,000	100,000
Trail of the Lonesome Pine	15,000	0
Virginia Air and Space Center	250,000	250,000
Virginia Equine Center Foundation	1,021,045	1,019,383
<u>Virginia Historical Society</u>	375,000	375,000
Virginia Marine Science Museum	500,000	500,000
Virginia Sports Hall of Fame	250,000	250,000
Virginia Waterfront International Arts Festival	50,000	50,000
Western Virginia Foundation for the Arts and Sciences	500,000	500,000
William King Regional Arts Center	200,000	200,000
Wolf Trap Foundation for the Performing Arts	500,000	500,000
Woodrow Wilson Birthplace Foundation	75,000	75,000
Total	\$11,948,045	\$9,644,383

Note: The Department of Historic Resources administers funding to the historic landmarks and organizations. These entities are underlined above. The Department of Planning and Budget administers funds for all other entities.

- **Other Nonstate Agencies**
 - Adds \$2.3 million GF and \$14.2 million NGF for nonstate agencies funded through other agencies. The agencies and nonstate organizations are shown below:

<u>Item</u>	<u>Department</u>	<u>Entity</u>	<u>FY 2001</u>	<u>FY 2002</u>
87	Veteran's Affairs	World War II Memorial	\$ 334,000	\$0
511	Aviation	National Air and Space Museum at Dulles	5,000,000*	0
C-190	Transportation	National Air and Space Museum at Dulles	11,207,000*	0

**Recommended funding in the Department of Aviation for the National Air and Space Museum includes \$2.0 million GF and a loan of up to \$3.0 million NGF from the Commonwealth Transportation Fund. In addition, the proposed capital budget for the Department of Transportation includes \$11.2 million NGF from the Commonwealth Transportation Fund for capital expenditures for the museum. These amounts are in addition to \$8.3 million NGF provided to the project in House Bill 29.*

Capital Outlay

The introduced budget provides \$848.9 million for capital construction, \$199.8 million of which would come from the general fund. Of this amount, \$90 million GF is provided for the Maintenance Reserve Program. Funding of \$14.7 million GF is provided for equipment to complete capital projects authorized in 1998. An additional \$65.6 million GF is provided to address infrastructure projects, such as HVAC and water systems, as well as life and safety, fire suppression, and asbestos abatement.

Virginia Public Building Authority debt of \$28.9 million is recommended for projects at the seat of government and the Virginia Museum of Fine Arts. Nongeneral fund projects include \$107.8 million for dorms and dining halls at colleges and universities, which would be issued as 9(c) debt and repaid with student and user fees. Debt of \$105.9 million from 9(d) bonds would be issued for parking and athletics facilities at colleges and universities.

Several property transfers and long-term leases are proposed in both capital and operating sections of the introduced budget. Language is also included which authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$40.1 million for five higher education projects and two natural resources projects.

Capital Outlay Recommendations (in millions)	
General Fund	\$199.8
VPBA Bonds	28.9
9(c) bonds	107.8
9(d) bonds	105.9
Other NGF	<u>405.5</u>
Total	\$848.9

- **Central Appropriations**

- **Maintenance Reserve** Provides \$45.5 million GF the first year and \$45.5 million GF the second year to fund repairs aimed at maintaining or extending the useful life of a facility, such as roofs, heating and cooling, and electrical systems.
- **Central Account Appropriations** Provides \$5.0 million GF for contingency repair and improvement projects, and \$1.0 million for energy efficiency projects.

- **Restoration of Equipment**

Provides \$14.7 million GF to restore equipment funds reverted in the 1998 Session for 19 college and university projects, one project at the Jamestown-Yorktown Foundation, and one project in the Department of Forestry. The equipment funds were withheld until needed in this biennium, based on the project schedule.

<u>Agency</u>	<u>Project</u>	<u>Biennial GF</u>
GMU	Academic IV	\$ 1,760,000
LC	West & Main Ruffner	1,502,000
NSU	Communications Building	299,000
RU	Walker Hall	170,000
UVA	Special Collections	530,000
	Clark Hall	530,000
UVA-W	Science Building	80,000
VCU	Life Sciences Building	2,240,000
	Sanger Renovation	536,000
VCCS	Danville Technology Training	280,000
	NVCC Medical Campus	1,250,000
	NVCC Annandale Science Bldg.	500,000
	Piedmont Humanities Bldg.	100,000
	TCC Va. Beach Campus	2,331,000
	Mt. Empire Godwin & Holton	100,000
	JSRCC Western Campus	126,000
	PD Camp Workforce Center	500,000
VSU	Johnston Library	717,000
	Owens Hall	835,000
JYF	Café and Visitors Center	305,000
Forestry	Abingdon Mechanic Shop	<u>35,000</u>
	Total	\$ 14,726,000

- **Infrastructure/Life and Safety Projects**

Provides \$65.6 million GF to address campus infrastructure and life/safety issues at 10 institutions of higher education, the Science Museum of Virginia, health and human resources agencies, and corrections agencies.

<u>Agency</u>	<u>Project</u>	<u>Biennial GF</u>
JMU	Sewer & Storm Water System	\$ 575,000
MWC	Boiler Overhaul	1,110,000
ODU	Federal & State Regulations	2,900,000
NSU	HVAC Renovations	3,468,000
UVA	Water Plant	1,974,000
	Replace Electrical Vault	1,352,000
	Chemistry Fire Sprinklers	900,000
UVA-W	Storm-water Management	600,000
	Lighted Walkways	379,000
VCU	Life & Safety Renovations	1,500,000
	MCV Steam Tunnels	1,745,000
VCCS	Roof Replacements	5,391,000
	Major Mechanical Replacements	6,000,000
	TNCC Fire Alarm System	624,000
	Maintenance Buildings	3,000,000
VPI&SU	Life & Safety Renovations	2,500,000
VSU	Repair Steam Tunnels	1,918,000
Sci. Mus.	Fire Suppression System	500,000
	Separate Sewer Lines	500,000
MHMR	Asbestos/Underground Tanks	2,000,000
	Boilers, Steam Lines, HVAC	6,000,000
	Life & Safety Renovations	3,000,000
VDVH	Asbestos Abatement	1,031,000
WWRC	Asbestos Abatement	1,700,000
DOC	Fire Safety Systems	775,000
	HVAC, Plumbing, Electrical	2,093,000
	Wastewater Treatment Systems	5,222,000
	Underground Storage Tanks	649,000
DJJ	Fire Safety Systems	425,000
	HVAC Systems	4,045,000
	Wastewater Treatment Systems	1,500,000
DMA	Handicapped Accessibility	<u>213,000</u>
	Total	\$65,589,000

- **Higher Education Nongeneral Fund Projects**

- **Projects Funded from Gifts/Balances.** Authorizes \$250.3 million in nongeneral fund projects at Virginia’s colleges and universities. These projects include \$22.8 million for a new alumni center at Virginia Tech; \$37.1 million for expansion of the Kluge Rehabilitation Center at the University of Virginia Medical Center; \$25.0 million for construction of a concert hall at the University of Virginia, and \$16.0 million for renovation of a stadium at James Madison University. These projects are funded with private gifts or auxiliary reserve balances.

Funding of \$26.3 million NGF is provided for a second phase of the School of Engineering at Virginia Commonwealth University, to be financed by private funds.

- **9 (c) Revenue Bond Projects.** Authorizes \$107.8 million in revenue bond projects at Virginia’s colleges and universities. This debt is issued by and backed by the full faith and credit of the Commonwealth of Virginia. Debt service is paid from student and user fees and other nongeneral fund balances.

Projects include \$23.5 million for a third dormitory at Christopher Newport University; \$25.5 million for a new dormitory at George Mason University; and \$29.8 million for two new dormitories at Virginia Commonwealth University. The projects will be funded with revenues generated by the housing system. There should be no additional fees required of students.

- **9 (d) Revenue Bond Projects.** Authorizes \$105.9 million in revenue bond projects at Virginia’s colleges and universities. This debt is issued by the institutions of higher education either on their own or through a pooled bond mechanism through the Department of Treasury.

Projects include \$20.8 million for approximately half of the cost of the new Alumni Center at Virginia Tech; \$10 million for renovation of student centers at Virginia Commonwealth University; and \$6.0 million for a fitness center at Longwood College. The projects will be funded with revenues generated by the auxiliary enterprise system. There should be no additional fees required of students.

Authorization of \$21.9 million is provided for a Biomedical Sciences complex, Phase I, at Virginia Tech. This project will house the proposed Center for the Advancement of Life Sciences. Debt service will be paid through indirect costs paid from research grants.

- **Department of General Services**
 - **Renovate Finance Building.** Authorizes \$14.1 million of bonds to be issued by the Virginia Public Building Authority to complete the renovation of the old Finance Building in Capitol Square.
 - **Renovate General Assembly Building.** Authorizes \$3.4 million of bonds to be issued by the Virginia Public Building Authority to replace elevators, repair deteriorated windows, and address other critical improvements in the General Assembly building.
 - **Consolidated Labs Building.** Authorizes DGS to enter into a long-term lease agreement with the Virginia Biotechnology Park to build a new Consolidated Laboratories building. The current 30-year-old building requires numerous mechanical and life safety improvements. The bill is silent on the estimated cost of the project.

- **Virginia Schools for the Deaf and Blind**
 - **Hampton.** Provides \$1.5 million GF to air condition Bradford Hall.
 - **Staunton.** Provides \$1.5 million GF to address air conditioning and fire safety in several facilities.

- **Virginia Polytechnic Institute and State University**
 - **Biomedical Sciences Complex – Greenhouses.** Authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$1.9 million NGF for construction of a greenhouse to supplement the \$21.9 million NGF biomedical sciences project. Transfer of the funds to the project is contingent upon notification to the Director, Department of Planning and Budget that the Commission has acted upon the authorization.

- **Longwood College**
 - **Construction of Science Building.** Authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$14.2 NGF million for construction of a new science center at Longwood College. Planning funds for the project were provided in the 1999 Session of the General Assembly. Transfer of the funds to the project is contingent upon notification to the Director, Department of Planning and Budget that the Commission has acted upon the authorization.
 - **Dormitory.** Authorizes Longwood College to explore alternative financing agreements for construction of student housing, the cost of which is not to exceed \$3.7 million NGF. The project may be located on property owned by the Commonwealth.

- **Virginia Community College System**
 - ***Learning Resource Center, Southwest Virginia.*** Authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$641,000 NGF for a learning resource center on the campus of Southwest Virginia Community College. Transfer of the funds to the project is contingent upon notification to the Director, Department of Planning and Budget that the Commission has acted upon the authorization.
 - ***Manufacturing Technologies Building, Central Virginia.*** Authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$4.5 million NGF for construction of a manufacturing technologies building on the campus of Central Virginia Community College, near Lynchburg. Transfer of the funds to the project is contingent upon notification to the Director, Department of Planning and Budget that the Commission has acted upon the authorization.
- **University of Virginia's College at Wise**
 - ***Renovation of Hospital Facility.*** Authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$2.5 million for renovation of a hospital facility, located in downtown Wise, for classrooms and a technology center. Transfer of the funds to the project is contingent upon notification to the Director, Department of Planning and Budget that the Commission has acted upon the authorization.
- **Virginia Museum of Fine Arts**
 - ***Expansion and Renovation.*** Provides \$4.2 million GF to plan an expansion and renovation of the Virginia Museum of Fine Arts facility. The project would include new gallery, support, and education space.
 - ***Parking Deck/Infrastructure.*** Authorizes \$11.3 million in bonds to be issued by the Virginia Public Building Authority for construction of a new parking deck and to upgrade the Museum's fire suppression system. Debt service on the bonds will be paid to the Virginia Public Building Authority from the general fund.
- **Science Museum of Virginia**
 - ***Fiber Optics.*** Provides \$500,000 GF for installation of fiber optic telecommunications cable for voice, data, and video transmission.
 - ***Integrate Science Museum Campus.*** Provides \$2.1 million GF to integrate outdoor and pedestrian areas to better link the Museum with the newly relocated Children's Museum.

- **East and West Terraces.** Provides \$919,000 GF to remodel and enclose existing terraces to support special museum activities and school groups.
- **Jamestown-Yorktown Foundation**
 - **Jamestown Gallery.** Provides \$8.9 million GF as the first of two installments for expansion and renovation of the Jamestown Gallery. The project will redesign and expand gallery space, and provide a multi-media center. Language in the bill as introduced indicates that a second installment of \$8.9 million GF will be paid in 2002-2004.
 - **Planning Funds.** Provides \$1,854,000 for planning of 8 projects at Jamestown-Yorktown, anticipating the 2007 celebration of the founding of Jamestown. The projects include support facilities, replacement of the Jamestown ships, and Yorktown galleries.
- **Department of Conservation and Recreation**
 - **Hungry Mother State Park.** Authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$3.2 million NGF for construction of a lodge at Hemlock Haven Conference Center and to enhance the lake at Hungry Mother State Park. Transfer of the funds to the project is contingent upon notification to the Director, Department of Planning and Budget that the Commission has acted upon the authorization.
- **Virginia Museum of Natural History**
 - **New Museum.** Authorizes the Tobacco Indemnification and Community Revitalization Commission to expend up to \$13.2 million NGF for construction of a new museum facility for the Virginia Museum of Natural History in Martinsville. Transfer of the funds to the project is contingent upon notification to the Director, Department of Planning and Budget that the Commission has acted upon the authorization. Planning funds of \$1.65 million GF were previously appropriated to this project.
- **Department of Corrections**
 - **St. Brides Correctional Center Replacement.** Includes \$28.8 million NGF the first year for replacement of the existing St. Brides Correctional Center in Chesapeake. The nongeneral fund revenues are from the federal prison construction funds provided under the Violent Offender Incarceration/Truth-in-Sentencing funds. A ten percent state match is required for these funds, but is not included in the budget, as introduced.

- **Facility for Sexually Violent Predators.** Provides \$621,000 NGF the first year to supplement a \$350,000 GF appropriation contained in HB 29, for adaptation of an existing building to house sexually violent predators who have been committed involuntarily, pursuant to legislation adopted in the 1999 session. The nongeneral funds would be provided from balances in certain mental health hospitals.
- **Industrial Space at Fluvanna.** Proposes \$60,000 GF the second year for design of unfinished space in one building at Fluvanna Correctional Center for Women. The proposal anticipates that the space would be used by Virginia Correctional Enterprises for production of optical lenses.
- **Perimeter Security.** Provides \$50,000 NGF the first year and \$904,000 NGF the second year for installation of new perimeter security systems at Staunton and Bland Correctional Centers, and replacement of the perimeter security systems at Keen Mountain Correctional Center and Southampton Reception Centers. The nongeneral funds are provided from out-of-state prisoner revenues.
- **Video Surveillance.** Includes \$634,000 GF the first year for installation of video surveillance cameras at Augusta Correctional Center.
- **Department of Juvenile Justice**
 - **Beaumont Kitchen and Dining Facility.** Includes \$39,000 GF and \$2.9 million NGF the first year for replacement of the kitchen and dining facility at Beaumont Juvenile Correctional Center. The nongeneral funds are provided from VPBA excess interest balances.
- **Department of Emergency Services**
 - **Cheatham Annex Cleanup.** Includes \$1.6 million GF the first year to continue the environmental cleanup of Cheatham Annex Fuel Storage facility and to maintain the site.
- **Department of Transportation**
 - **Air and Space Museum.** Provides \$11.2 million in highway construction funds in the first year for the Smithsonian Institution's National Air and Space Museum Extension at Dulles. This amount is in addition to the \$2 million provided from the Department of Aviation's recommended general fund appropriation.
 - **Welcome Centers.** Recommends another \$8 million in highway construction funds for renovations to four State Welcome Centers at Virginia's borders.

- **Other Capital Outlay Initiatives**

- ***Leases and Property Transfers.*** Proposes language authorizing the Governor to enter into a long-term lease agreement for construction of a new Consolidated Laboratories building in Richmond and office space in Northern Virginia for the Department of Transportation District office.

Language in the Operating section of the introduced budget also authorizes the sale of state owned property known as the Main Street Station in Richmond, a DGS maintained warehouse at 2000 East Cary Street in Richmond, and certain unspecified state-owned land at mental health and mental retardation facilities.