

Overview of Proposed Amendments to the Budget for 2000-02

The introduced budget projects about \$449.3 million less in general fund tax revenue than was forecast last year, as well as about \$270.2 million in required funding increases above what was appropriated last year. To bring the budget into balance, and also accommodate about \$173.4 million in discretionary spending increases, three kinds of actions are proposed:

- 1) **More Extensive Use of Bond Issues and Debt Instruments.** The introduced budget proposes substituting bond proceeds for about \$449.6 million in cash appropriations for capital projects and spending. Of this total, \$72.1 million comes from capturing capital appropriations from 1998-00, or non-general fund capital appropriations in this biennium. The \$72.1 million actually appears in the budget as balances, which is part of the revenue totals.

Specifically, the introduced budget substitutes:	<u>\$</u> <u>in</u> <u>mil.</u>
- VPBA/VCBA Bonds for Capital Outlay Cash from:	
Current GF Appropriations	\$ 167.1
Current NGF Appropriations (Revenues)	14.1
Prior Biennia GF Appropriations (Revenues)	58.0
- VPBA Bonds for Cash for the State Share of the Capital Cost of Local Juvenile Detention Homes	13.8
- Leases for Cash Purchases of Some Equipment	7.2
- Additional Federal Revenue Anticipation Notes (FRANs) for GF Cash for Highway Construction	70.0
- VPSA Bonds for Literary Fund Revenue which is used for School Construction and Maintenance Payments	<u>119.4</u>
Total	\$ 449.6

In addition, the budget also proposes bond issues for: \$327.2 million in new capital projects and additional Maintenance Reserve funding, and \$7.9 million as the state share of the capital cost of new juvenile detention facilities.

- 2) **Agency Budget Reductions.** Budget reductions are proposed to save about \$288.6 million. Of this total, \$96.0 million is proposed as technical reductions based on lower VRS contribution rates, projected lower enrollment, caseload changes, or other factors. About \$67.6 million is included as unspecified across-the-board reductions, and \$125.0 million is proposed as specific targeted reductions. These totals do not include Productivity Savings adopted last year in a single Central Appropriation item as a lump sum.

- 3) **Some Additional Revenues.** In addition to the \$72.1 million mentioned above that was captured through capital balances, another \$159.0 million in general fund revenue is projected through Medicaid recoveries of overpayments to health care providers, increased federal Medicaid revenues for family planning services, a re-estimate of the cost of some tax policy changes already enacted, an increase in projected revenues from out-of-state prisoners, and other actions.

Finally, the introduced budget proposes securitization of the Commonwealth's allocation of Tobacco Master Settlement Agreement payments -- 40 percent of which flows to the general fund. This action is estimated in the introduced budget to produce \$460.0 million. Including the \$460.0 million in the December GF revenue forecast brings FY 2001 GF revenues above the statutorily required 5 percent minimum needed to take the car tax reduction to 70 percent in calendar year 2001. Proceeds from the proposed securitization would be used to create a Higher Education and Economic Development Trust Fund, which would pay debt service on some of the proposed debt issues.

A total of \$443.6 million in additional required and discretionary spending is proposed in the introduced budget, not including the Trust Fund securitization. Additional funding for Medicaid cost increases, the Comprehensive Services Act, and a number of other health and human resources programs, as well as salary increases for state employees and faculty, increases in employee health insurance costs, and several other programs comprise the largest portion of the proposed spending increases. The introduced budget also proposes a limited number of new initiatives.

The \$443.6 million does not include additional funding which had been projected for the car tax reduction program. Instead, the budget proposes changing the car tax appropriation from a fixed appropriation to a "sum sufficient," with language allowing transfer of second year appropriations to the first year.

Revenues

The introduced budget projects a \$241.8 million increase in GF revenues available for appropriation, including the proposed securitization of Tobacco Master Settlement Payments, bringing total biennial GF revenues to \$25.2 billion.

General Fund Revenues Available for Appropriation in 2000-02 (\$ in millions)		
	<u>As Introduced</u>	<u>Change from</u> <u>Ch. 1073</u>
Official Revenue Estimate	\$23,600.2	\$94.1
GF Tax Revenue		(449.3)
Revised Fiscal Impact of Tax Policies		34.8
Other Revenue Adjustments		48.6
Proposed Securitization of Tobacco Settlement Revenues (40% GF share)		460.0
Available Balances	903.7	144.3
Transfers	<u>718.0</u>	<u>3.4</u>
General Funds Available for Appropriation	\$25,221.9	\$241.8

Slowing growth in Virginia's economy and weak revenue collections over the first five months of the fiscal year have led to a downward revision of \$449.3 million in the forecast of GF tax revenue. The revised forecast projects GF growth rates of 3.4 percent in FY 2001 and 6.9 percent in FY 2002.

These lower tax revenues are offset by (1) revised estimates of the fiscal impact of certain tax policies that have already been enacted (\$34.8 million); (2) several miscellaneous revenue adjustments (\$48.6 million); and, (3) the proposed securitization of future Tobacco Master Settlement Agreement payments, generating a projected one-time GF revenue gain of \$460.0 million.

Adjustments to available balances contribute \$144.3 million to the increase in revenues available for appropriation. Included in this total is \$81.4 million

from the reversion of GF and NGF capital outlay appropriations from this biennium and the 1998-00 biennium. As mentioned earlier, most of these cash appropriations for capital projects would be replaced by proposed bond issues.

Additional transfers account for the remaining \$3.4 million of increased GF revenue. Revenue from out-of-state inmates is projected to increase by \$13.9 million, resulting from additional prisoners, productivity savings, and the use of a \$6.0 million treasury loan to cover accrued FY 2002 revenue for out-of-state prisoners that will be received in FY 2003. A re-estimate of Lottery profits produces \$7.4 million. These transfer gains are partially offset by a redirection of unclaimed Lottery prizes to the Literary Fund.

Spending Reductions

The introduced budget proposes budget reductions totaling about \$666.1 million. Of this amount, \$377.5 million results from more extensive use of bond issues and debt instruments (not including \$72.1 million in capital balances which is included as revenue and converted to debt), and \$288.6 million results from across-the-board and targeted agency reductions.

About \$96.0 million of the agency budget reductions comes from technical changes such as lower VRS contribution rates, lower forecast enrollments in programs such as Children's Medical Security Insurance program and the Deferred Compensation Match for state employees, and other programs. In some instances, alternate sources of revenue are proposed to replace existing general fund appropriations.

Across-the-Board Reductions. Included as part of the spending reduction total is \$67.6 million in across-the-board GF reductions for state agencies -- 3 percent the first year and 6 percent the second year. Agencies with fewer than 35 employees were exempt from these reductions. Aid to localities, aid to individuals, debt service payments, direct care in state mental health and mental retardation facilities, and direct security and law enforcement operations also were exempt from the calculations of across-the-board reductions. As a result, the percentage reduction actually proposed for each agency varies.

The table beginning on the next page sets out the proposed reductions included in the introduced budget.

**Major Spending Reductions in the Budget, As Introduced
(GF \$ in millions)**

Across-the-Board Agency Budget Reductions (FY 2001-3%; FY 2002-6%) **(\$ 67.6)**

Capital Outlay/Debt Issuance

Replace Cash For Some Capital Projects and Maintenance Reserve with Debt	(167.1)
Direct Aid for Public Education-Use Literary Fund for School Construction and Maint. Payments; Issue VPSA Bonds to replace Literary Fund Revenue	(119.4)
VDOT-Use FRANs in place of GF for Highway Construction in FY 2002	(70.0)
DJJ-Substitute GF with Bond Proceeds for Juvenile Detention Homes Capital Costs	(13.8)
Several Agencies-Supplant GF for Equipment with Master Equipment Leases	<u>(7.2)</u>
Subtotal: Capital Outlay/Debt Issuance	(377.5)

Targeted Reductions

Transportation

VDOT-Eliminate Private Airport Grant Funding (5.0)

Employee Benefits

Direct Aid for Public Education-Require a Local Match for Retired Teacher Health Care Credit (19.4)

CA-Eliminate Funding for Long-Term Care Premiums (2.7)

Health and Human Resources

DMAS-Eliminate Medicaid Expansion for Low-Income Elderly and Disabled (5.2)

DMAS- Eliminate Medicaid Expansion for Substance Abuse Treatment (5.1)

DMHMRSAS-Remove Increase for Atypical Medications (1.0)

DSS-Substitute Federal TANF for GF in Several Local Programs (10.0)

DSS-Freeze Adult Care Residence Rates at Nov. 1, 2000, Level (3.7)

Public Safety	
DJJ-Eliminate the Boot Camp Program	(4.6)
DJJ: Eliminate Private Juvenile Justice (KYDS) Program	(1.6)
DJJ-Remove FY 2001 Operating Funds for the James River Regional Detention	(1.6)
DOC-Close Men's Boot Camp and Merge Program into Existing Detention Center	(2.0)
DOC-Close Two Regional Offices	(1.5)
DOC-Reduce Funding for Substance Abuse Treatment	(1.5)
DCJS-Reduce GF Aid to Localities with Police Departments (HB 599)	(2.7)
DCJS-Reduce the Amount Budgeted for Matching Federal Funds	(2.5)
DCJS-Substitute NGF for GF to Localities for E-911 Emergency Wireless Services	(1.4)
Commerce and Trade	
DHCD-Reduce Funding for Industrial Site Development	(5.0)
CIT-Reduce Funding for Technology Centers	(1.0)
CA-Elim. Funding For Economic Dev. Grant Fund	(1.0)
Natural Resources	
DCR-Take out FY 2002 Funding for Land and Conservation Easement Acquisition	(6.2)
DCR-Reduce Aid for Soil & Water Cons. Districts	(1.8)
Higher Education	
All Colleges-Administrative Reductions	(7.2)
All Colleges-Implement E-Procurement Savings	(4.9)
All Colleges-Reduce Funding for the Optional Retirement Plan Percentage Required in the <u>Code</u>	(3.2)
General Government/Other Reductions	
CA-Use Tobacco Funds for Comm. Health Research Fund (Part of 10% MSA Payments)	(5.0)
Comp. Bd.-Fund Commissioners of Revenue At 50 Percent Level	(3.0)
Other Reductions	<u>(15.3)</u>
Subtotal: Targeted Reductions	(125.0)

Technical Reductions

Direct Aid to Public Education-Capture Teacher Retirement Savings from VRS Rate Reduction	(56.5)
CA- Capture State Employee Savings from VRS Rate Reduction	(14.1)
Comp. Bd.-Capture VRS Rate Reductions for Constitutional Officers	(2.3)
DMAS-Reduce Funding for Child Health Insurance	(16.1)
CA-Reduce Funding for Deferred Compensation Match	(5.0)
All Agencies-Implement Telecommunications Contract Savings	(1.0)
CA-Adjust Funding For Solar Photovoltaic Manufacturing Incentive Grants	<u>(1.0)</u>
Subtotal: Technical Reductions	(96.0)

Total-Budget Reductions (\$ 666.1)

Spending Increases

The introduced budget proposes \$443.6 million in required and discretionary spending increases. This total does not include the \$460.6 million which represents the estimated net proceeds of the securitization of 40 percent of the Commonwealth's payments from the Tobacco Master Settlement Agreement. The introduced budget proposes that the \$460.6 million be deposited into the Higher Education and Economic Development Trust Fund.

The largest portion of proposed increased spending -- \$270.2 million -- is required to support cost increases in mandated services such as Medicaid, the Comprehensive Services Act, foster care and adoption services, and other human resources programs. Also included in this required spending category is a second year supplement to the Revenue Stabilization Fund deposit, the first phase of the operating subsidy for the Advanced Carrier Integration Center, increases in state funding for state and local inmates held in local jails, and phase-in of higher contribution rates for the Virginia Law Enforcement Officers Retirement System (VaLORS).

Major spending increases in the discretionary category total \$138.6 million. The largest amounts represent funded salary increases for state employees and faculty, as well as increased state contributions toward state employee health insurance. Second year increases to support indigent care at the VCU Health System (with GF to be repaid at the end of FY 2002), increased state

funding for enrollment growth and student financial assistance in higher education, and several small initiatives in public education also are included.

About \$18.9 million in increased spending is recommended for administrative costs for selected state agencies. Completion of new computer systems at DMAS and the Health Department are the largest single amounts within this category.

Finally, \$19.0 million is included as a technical adjustment to the Productivity Savings item approved last session.

The table below details the proposed required and discretionary spending increase recommended in the budget, as introduced.

**Proposed Spending Increases in the Budget, As Introduced
(GF \$ in millions)**

Required Funding Increases for Programs and Services	
DMAS-Medicaid Increase for Utilization & Inflation	96.6
DMAS-Mental Health and Mental Retardation Facilities Second Year Medicaid Shortfall	12.7
DMAS-Loss of Federal Certification of Intensive Assisted Living Services; Convert to a State-only Program	1.7
DSS-Mandated Foster Care Maintenance and Adoption Subsidy Payments	11.7
DSS-Comply with Federally-Mandated Food Stamp Reinvestment Requirements	3.6
DSS-Implement Mandated Electronic Benefits Transfer System	2.1
DSS-Child Support Enforcement Revenue Shortfall	1.9
DMHMRSAS-Medical Malpractice Premium Increase	.2
Comp. Svcs. Act-Mandated Special Education and Foster Care Services	61.1
Direct Aid for Public Education-Distribute Surplus Lottery Proceeds	5.3
Direct Aid for Public Education-Update Direct Aid Payments for Sales Tax, Revised Enrollment, and Local Participation Rates	.9
Comp. Bd.-Per Diem for Local and Regional Jail Inmates	13.9
Comp. Bd.-Maintain 1:1,500 Ratios for Deputy Sheriffs	.9

Comp. Bd.-Convert Commonwealth's Attorney's Office From Part-Time to Full-Time Position	.1
VEDP-Operating Funds for the Virginia Advanced Shipbuilding And Carrier Integration Center	10.9
DBA-Additional Funding for Workforce Services Projects	4.5
DJJ--State Share of Operating Local Detention Facilities	9.3
DEQ-Water Quality Improvement Fund	2.7
CA-VaLORS Rate Increase (first year phase-in)	5.2
Treasury-Revenue Stabilization Fund Deposit	24.0
Treas. Bd.-Juvenile Detention Facilities' Debt Service	.9
Discretionary Increases for Programs and Services	
DMHMRSAS-Divert So. Va. Mental Health Institute (SVMHI) Patients To Communities	2.5
DMHMRSAS- Discharge Assistance Funding for Former SVMHI Patients	2.1
Health- Increase Funding for Statewide Emergency Medical Services	1.0
VCU Health System-Indigent Care Support	23.6
Direct Aid for Public Education-Expand Academic Challenge Program	6.0
DOE-Expand the SOL Algebra Readiness Program	2.6
DOE-SOL Testing Enhancements in adopted Standards of Accreditation	1.4
Higher Ed.-Faculty Salaries toward 60 th Percentile	12.8
Higher Ed.-Funding for Projected Enrollment Growth	6.5
Higher Ed.-Increased Student Financial Assistance	5.8
VSU-Funding of Land Grant Mission	.9
VSU- Enhancement to Academic Programs	.4
NSU- Support of Technological Enhancements	.4
VCU-Increase for Va, Council on Economic Education	.2
SCHEV- State Match to Federal Grant	1.1
SCHEV-Updated Enrollment for Tuition Assistance Grant (TAG) Program	.5
CA- Salary Increase for State Employees	38.3
CA -Increased Health Benefit Premiums for State Employees	15.3
CA-New Compensation Reform Pay Practices	5.1
Comp. Bd.-Fund Staffing Standards for Local Treasurers	.5
DTP-Establish Powerup Partnership Sites	1.0
Tourism-Add'l. Funding for a Civil War Museum	.3

Military Affairs-Add'l. State Match for the federal Commonwealth Challenge Program	.2
Non-State Agency Grants	8.3
Discretionary Funding Increases for Administration	
DMAS-Agency Staffing Needs and Contractual Obligations	2.2
DMAS-Complete New Medicaid Claims Processing System	1.1
Health-Complete the Local Automation System	3.0
CSA-Create an Assistance and Review Team	.3
Courts-Adjust Funding for Judges' Social Security Tax	.4
Ct. of Appeals-Increase Law Clerk Positions	.8
Sup. Court- Increase Law Clerk Positions	.5
Atty. Gen.-Increase Attorneys' Salaries	.4
Sec. of Commonwealth-Add'l. Funding for Executive Support	.2
Pub. Defender-Annualize Cost for New Positions	.1
Bd. of Bar Examiners-Add'l. Position	.1
Tax- Upgrade Leased Space	1.8
Tax-Maintenance and Operation Funding	1.8
Tax-Fund Workload Management Changes	.6
Tax-Safeguard E-Government Financial Systems and Transactions	.1
Int. Audit-Establish an Information Technology Audit Program	.1
Treasury-Fund Workload Management Changes	.2
Accounts-Expand Payroll Service Bureau	.2
Accounts-Enhance Data Security	.3
Bd. of Elections-Development of the Voter Registration and Election System	2.1
State Police-Shortfall for State Police Dispatcher's Regrade	.1
Off. of Sub. Abuse-Fund Administrative Costs Of New Agency	1.0
DTP-Develop and Improve Educational Web Sites	.2
CA-Increase Funding for Economic Contingency	1.3
CA-Transition Support for Statewide Elected Officials	.3
CA- Technical Changes to Productivity Savings Account	19.0
Total (Other than the Trust Fund Below)	\$443.6

**Higher Education and Economic Development
Trust Fund**

\$460.6

Note: Totals do not add due to rounding.

A summary of the key changes proposed for each secretarial area follows.

Direct Aid for Public Education. Proposed amendments for Direct Aid to Public Education result in a net reduction of \$189.1 million GF for the biennium when compared to the original appropriation.

Most of the GF reduction flows from the proposed substitution of \$119.4 million in Literary Fund revenue for the School Construction Grant program and for the first year of Maintenance Supplement payments. The loss of Literary Fund revenue would be offset by a proposed \$120.0 million VPSA bond issue to provide funding for projects on the Literary Fund First Priority Waiting List. About \$9.0 million in unclaimed Lottery prizes which currently go to the general fund would pay part of the debt service on the VPSA bonds.

Another large GF reduction -- about \$84.3 million -- results from lower VRS contribution rates for FY 2001 and FY 2002, and proposed cost sharing of the Retiree Health Care Credit for teachers, which to date has been paid entirely by the state. First year savings of \$7.7 million GF due to the reduction in VRS rates were taken administratively.

Language has been included encouraging local school divisions to use the savings attributable to the local share of the VRS rate reduction for increases in teacher salaries and benefits.

A total of \$14.7 million GF in new spending comes from additional Lottery revenues; an expansion of a program aimed at providing additional instructional time to students in low-performing schools; and a reduction in the pupil-to-teacher ratio funded in the SOL Algebra Readiness program.

Amendments to the Department of Education's budget provide \$1.5 million to implement expedited re-takes of SOL tests.

Higher Education. Recommended amendments for higher education provide a net increase of \$9.0 million GF for the biennium. Major general fund increases include \$12.8 million for faculty salary increases, \$6.5 million to fund enrollment growth in the second year of the biennium, and \$5.8 million to increase support for student financial aid.

Institution-specific increases include: \$400,000 GF each for technology enhancements at Norfolk State University and Virginia State University; \$890,385 GF as the state match to federal funds for the Cooperative Extension program at VSU; and \$200,000 for economic education at Virginia Commonwealth University.

Proposed amendments recommend general fund savings of \$18.6 million, to be realized primarily through targeted budget reductions, administrative savings, and a reduction in the retirement contribution rate for faculty who participate in retirement programs other than VRS.

Health and Human Resources. Proposed amendments for Health and Human Resources agencies result in a net increase of \$140.0 million GF, which includes increases of \$226.8 million being offset by reductions of \$86.8 million. About 85 percent of the increase is required to meet federal and state mandates in health care for the poor (Medicaid, \$109.3 million) and services for emotionally and behaviorally disturbed youth (Comprehensive Services Act, \$61.1 million), and to provide \$23.6 million to the VCU Health Systems Authority for indigent health care.

Within the Medicaid cost total, \$35.7 million GF is proposed to meet emergency needs in the Mental Retardation Waiver program, and \$12.7 million is added to meet a shortfall in Medicaid funding in state facilities for mentally disabled persons. The introduced budget also adds \$4.6 million for diversion or discharge of patients at the Southern Virginia Mental Health Institute, to enable closure of the facility at the end of FY 2002.

The budget reduction total includes management savings of \$57.9 million proposed in the introduced budget and \$30.0 million in productivity savings adopted last session as part of a lump sum for all agencies. Some of the reductions would decrease funding for health insurance for poor children, based on revised enrollment estimates; eliminate the expansion of Medicaid coverage for poor elderly and disabled, and for substance abuse treatment; and decrease funding for special medications for seriously mentally ill persons.

Public Safety. Recommended amendments in Public Safety result in a net decrease of \$88.7 million GF for the biennium. This total reflects \$100.4 million in reductions, offset by new spending of \$11.7 million.

Reductions include replacement of \$13.8 million GF with VPBA bond proceeds for the state share of capital costs for local and regional juvenile detention facilities, and \$5.6 million GF for equipment purchases with funding through the Master Equipment Lease (MELP) program; substitution of nongeneral funds from the E-911 Wireless Fund for \$1.4 million GF for wireline grants to localities, closure of an adult boot camp, a juvenile boot camp, and two

regional offices; and elimination of funds for a privately operated juvenile facility.

Of the \$11.7 million GF in new spending, \$9.3 million represents the required state share of the operating costs for new local juvenile detention facilities. Other recommendations include generating additional revenues by housing 686 more out-of-state inmates in state correctional facilities; utilizing out-of-state prisoner revenues to continue development of the Department of Corrections computer network; and utilizing non-general fund balances to continue development of the Statewide-Shared Land Mobile Radio System.

Central Appropriations. Proposed amendments for Central Appropriations result in a net increase of \$598.2 million GF and \$620.1 NGF for the biennium.

The largest increase -- \$460.6 million GF -- comes from the proposed securitization of the Tobacco Master Settlement revenues, which is used to create the Higher Education and Economic Development Fund.

A total of \$63.9 million GF is recommended for classified employee compensation and benefit increases. An average classified salary increase of 3.5 percent on November 25, 2001, is recommended, at a cost of \$38.3 million GF. Funding of \$5.1 million GF is provided to assist agencies with the implementation of pay practices under the new classified pay plan. Another \$15.3 million GF is proposed to pay the employer share of health insurance premium increases for FY 2002. Finally, \$5.2 million GF is provided to pay the first year cost of the five-year phase-in of higher contribution rates for VaLORS.

General fund decreases total \$33.8 million and include:

- 1) VRS rate reduction for state employees -- \$14.1 million GF;
- 2) Reduction of funds for the Matching Deferred Compensation Program -- \$5.0 million;
- 3) Elimination of funding for the Long-term Care Program for state employees -- \$2.7 million GF;
- 4) Reduced funding for economic development grants -- \$1.0 million GF; and
- 5) Supplanting general fund support for the Health Research Fund with tobacco settlement funds -- \$5.0 million GF.

Non-general fund increases total \$701.1 million, all of which is attributable to the securitization of tobacco settlement funds. These funds will be used to establish the Tobacco Indemnification and Community Revitalization Endowment (\$584.3 million NGF) and the Virginia Tobacco Settlement Endowment (\$116.9 million NGF).

Transportation. Proposed budget amendments increase nongeneral funds by \$110.0 million and reduce the general fund by \$75.0 million when compared to the original appropriation.

The nongeneral fund change reflects creation of the Priority Transportation Fund (PTF) established by the Virginia Transportation Act (VTA) of 2000. A total of \$173.3 million is deposited in the Fund, \$65.2 million of which is shifted from the highway construction fund.

The general fund reduction of \$75.0 million results from two actions. First, the proposed budget removes the \$70.0 million general fund appropriation to the highway construction program in the VTA. Recommended amendments supplant that sum with bond proceeds from additional Federal Reimbursement Anticipation Notes (FRANs). Second, an amendment eliminates \$5.0 million GF for the private airport assistance program, also established by the VTA. This reduction is shown as executive management savings.

Capital Outlay. Recommended capital amendments eliminate a large portion of the cash appropriation provided last session and last biennium for capital projects, and replaces cash appropriations with bond proceeds.

Specifically, the introduced budget proposes a reduction of \$167.1 million GF for capital outlay projects appropriated last year from current revenues. An additional \$58.0 million in GF cash balances from capital projects funded last biennium has been captured and projects shifted to bonds, along with \$14.1 million of non-general funds from projects authorized in this biennium.

In addition to the supplanted cash appropriations, the introduced budget proposes \$327.2 million in new capital projects and additional Maintenance Reserve funding.

A total of \$566.6 million in Virginia College Building Authority (VCBA) or Virginia Public Building Authority (VPBA) bonds is authorized to re-instate or add new capital projects. Debt service would be paid from the Higher Education and Economic Development Trust Fund, to be created from the proceeds of the sale of a portion of the Commonwealth's future stream of Master Settlement Agreement (MSA) payments. (Note: These totals do not include the \$120 million in proposed Virginia Public School Authority bonds which would replace Literary Fund revenue, or the proposal to issue debt to pay the state share of the capital cost of juvenile detention facilities.)

Other Secretarial Areas. In Commerce and Trade, proposed amendments recommend new GF support of \$15.6 million, offset by \$22.6 million in GF reductions. Proposed budget increases include \$10.9 million GF as a grant to operate the Virginia Advanced Shipbuilding and Carrier Integration

Center (VASCIC) and \$4.5 million GF for workforce training, to address a potential shortfall in FY 2001.

Proposed amendments in Natural Resources result in a net decrease of \$13.6 million GF for the biennium. The largest component of this decrease is elimination of the \$6.2 million appropriation to the Virginia Land Conservation Fund in the second year. Proposed new spending of \$3.4 million includes the \$2.7 million statutorily required Water Quality Improvement Fund deposit.

In Administration, the major funding increase occurs in the Compensation Board, where \$13.9 million is proposed to reimburse local and regional jails for housing local and state-responsible inmates. For the State Board of Elections, \$2.1 million is added to continue development of the Virginia Voter Registration System.

In Finance, the major appropriation increase is the \$24.0 million adjustment required for the FY 2002 deposit to the Rainy Day Fund, based on actual FY 2000 revenue collections.

In Technology, the major proposed change is appropriation of \$30.9 million NGF for grants to localities, the Virginia State Police, and commercial radio service providers for costs associated with the E-911 service, under the terms of Senate Bill 148, which was enacted last session.