

Overview of Proposed Amendments to the Budget for 2002-2004

The proposed amendments to the 2002-04 budget (Chapter 899) are structured to address a budget shortfall of \$2.1 billion GF, which is the combined result of projected lower general fund revenues and required spending increases. A continued weak economy is projected to reduce general fund revenue collections for the 2002-2004 biennium by approximately \$1.3 billion below the amount forecast in Chapter 899. Added to this amount is \$216.5 million from the effect of the FY 2002 shortfall and obligations against balances. At the same time, non-discretionary spending increases in Medicaid, Direct Aid to Public Education, Personal Property Tax Relief, and several other programs total \$601.5 million.

To address the combined budget shortfall caused by lower than anticipated revenue collections and required spending, the Governor proposes several actions affecting both revenue and appropriations, including:

- Generating \$857.7 million (all funds) through the October Budget Reduction Plans administratively approved by the Governor;
- Withdrawing \$245.9 million in FY 2003 and \$128.5 million in FY 2004 from the Revenue Stabilization Fund;
- Capturing \$86.2 million in FY 2002 from unexpended general fund agency operating balances;
- Capturing \$24.4 million in FY 2002 from unexpended nongeneral fund agency operating balances;
- Reverting \$98.1 million in capital balances and replacing the majority of this cash with debt issued through the Virginia College Building Authority (VCBA) and the Virginia Public Building Authority (VPBA);
- Increasing revenues by \$249.5 million through various resource adjustments, including: implementing a tax amnesty program in FY 2004, producing revenue of \$39.3 million; selling the Housing Partnership Loan Fund portfolio to VHDA for \$40.8 million; and capturing \$34.0 million by not paying fourth quarter interest earnings payable to nongeneral fund agencies;

- Supplanting general fund support for contribution rates for teacher retirement and Social Security payments with additional Literary Fund revenue (\$62.1 million);
- Freezing Medicaid provider reimbursement rates for inpatient and outpatient hospitals, nursing facilities and health maintenance organizations (\$56.9 million); and
- Implementing a preferred drug list for Medicaid beneficiaries, reducing the pharmacy dispensing fee, and increasing pharmacy co-payments (\$13.9 million).

Revenues

The introduced budget includes \$24.3 billion in general fund resources available for appropriation, a net reduction of \$440.2 million from Chapter 899. The net decline results from a shortfall in the unreserved FY 2002 balance forward, and a \$1.3 billion reduction in economic-driven revenue projections. The reduction is partially offset by proposals to increase revenue collections by about \$94.9 million, withdrawals from the “Rainy Day Fund”, and transfers of \$414.8 million.

General Fund Revenues Available for Appropriation in 2002-04		
(\$ in millions)		
	<u>As Introduced</u>	<u>Change from Ch. 899</u>
Change in Revenues		(\$1,282.4)
Additional Revenue Proposals		<u>94.9</u>
Official Revenue Estimate	\$22,118.7	(\$1,187.5)
Available Balances	109.1	(41.9)
Transfers (includes Lottery)	1,705.4	414.8
Revenue Stabilization Fund	<u>374.4</u>	<u>374.4</u>
General Funds Available for Appropriation	\$24,307.6	(\$440.2)

The amended budget includes a net downward revision in revenues of \$1,187.5 million. This amount includes a reduction of \$1,282.4 million in general fund tax revenues to reflect the current expectation that economic weakness will continue through FY 2003, and an appreciable rebound will not occur until FY 2004.

The revenue reduction is offset by proposed revenue actions totaling \$94.9 million, including retention of fourth quarter interest from nongeneral fund accounts; \$21.7 million from retaining the Department of Motor Vehicle's share of the Auto Rental Tax; and \$21.2 million in enhanced tax collection efforts.

The revised revenue forecast assumes economic growth rates of 1.0 percent in FY 2003 and 5.2 percent in FY 2004. In contrast, revenue declined by 3.8 percent in FY 2002.

Proposed transfers to the general fund increase available resources by \$414.8 million. Major transfers include:

- \$174.1 million in cumulative reductions to nongeneral fund agencies from the October budget actions and from those actions proposed in the budget;
- \$72.8 million from Lottery profits;
- \$40.8 million from the sale of the Housing Partnership Loan Fund portfolio to the Virginia Housing and Development Authority;
- \$39.3 million from a tax amnesty program; and
- \$35.6 million from ABC/Wine & Spirit taxes, which includes an increase in the average price in ABC stores.

Finally, a withdrawal of \$374.4 million from the Revenue Stabilization Fund is proposed.

Proposed Budget Savings

The introduced budget includes \$1,043.6 million in proposed general fund budget reductions, including \$725.1 million GF in savings resulting from

actions taken by the Governor in October 2002. (Another \$132.6 million in nongeneral funds brings the total of the October actions to \$857.7 million.)

Other savings of \$328.5 million include using Literary Funds for teacher retirement, updating various fund sources to pay the cost of programs now borne by the general fund, reducing aid to localities, deferring funding, and targeting reductions to state agency budgets beyond the October actions. A small proportion of the budget reductions result from technical adjustments related to updating participation rates, inflation, and sales tax for Public Education.

The table below summarizes the proposed general fund reductions beyond the October reductions.

Major Spending Reductions	
Proposed in HB 1400/SB 700, as Introduced	
(GF \$ in millions)	
Shift Costs To Other Funds And Payers	
Public Ed.-Use Literary Fund for Teacher Retirement and Social Security	(\$62.1)
DMAS-Supplant GF with FAMIS Trust Fund	(7.0)
DSS-Supplant Federal Funds for GF in Child Support Enforcement Program	(6.9)
VDH-Supplant & Eliminate EMS Funding	(3.8)
DGS-Convert Capital Mgmt. To Internal Svc. Fund	(2.9)
DSS-Supplant Day Care GF with DOE Pre-K Funds	(1.6)
MRC-Supplant with Increase in Saltwater Fishing Fees	(1.4)
VDH-Supplant & Reduce Physician Scholarships	(1.1)
VDH-Supplant GF with TANF for Prevention Programs	(0.9)
DMME-Increase Permit and License Fees	(0.8)
VDACS-Weights and Measures Inspection Fee	(0.7)
CO-Use Oil Overcharge Funds for Energy Efficiency Capital Projects	(0.3)
DOE-Late Fees for SOL Tests	(0.3)
Defer Funding	
DMAS-Defer FY 2004 HMO Inflation Adjustment	(\$36.0)
DMAS-Defer FY 2004 Nursing Home Inflation Adjustment	(16.5)
DMAS-Defer FY 2004 Inpatient Hospital Inflation Adjustment	(4.3)

DJJ-Defer Funding for VA. Beach Juvenile Detention Center	(0.4)
Reduce Pass-Through Funding and Grants	
VEDP-Reduce Funding for Va. Advanced Shipbuilding Program (VASCIC)	(\$ 2.5)
COMARTS-Decrease Funding for Arts Grants	(1.0)
DMME-Reduce Solar Photovoltaic Grant Program	(0.7)
Reduce Aid To Localities	
Comp. Bd.-Reduce Funding for Sheriffs	(\$26.9)
DOA-Reduce ABC Profits Transfer	(12.7)
DCR-Reduce Grants to Soil & Water Conservation Districts	(1.0)
Other Budget Reductions	
Various Agencies-Savings from Information Technology Consolidation	(\$18.0)
DSP-Across the Board Reductions	(13.2)
DMAS-Implement Preferred Drug List	(9.0)
Cen. Accts.-Workforce Transition Act Savings	(4.7)
DMAS-Reduce Payments for Outpatient Hospitals	(4.2)
DMAS-Reduce Pharmacy Dispensing Fee	(4.0)
DGS-Reduce Rent Plan Expenses	(3.5)
DHCD-Eliminate Workforce Services	(3.1)
DMAS-Modify Outpatient Rehab Reimbursement	(3.0)
DMAS-Reduce Private Hospital Capital Payments	(2.6)
Cen. Acct'ts.-VRS Retirement Contribution	(2.6)
DTP-Consolidate Agency in Info. Tech Plan	(2.4)
Tourism-Eliminate Cooperating Advertising	(2.3)
DOE-Eliminate or Delay Selected Testing Programs	(2.1)
Cen. Accts-Remove Funding for Student Financial Aid	(2.0)
DMHMRSAS-Relocate Jail Forensic Services to Central State Hospital	(1.6)
DSS-Reduce Staff in Central and Regional Offices	(1.5)
MNH-Transfer Museum of Natural History to Science Museum of Virginia	(1.5)
DMAS-Eliminate Substance Abuse Expansion	(1.3)
DMAS-Prior Authorization of Inpatient Admissions	(1.3)
DMAS-Prior Authorization of Certain Outpatient Services	(1.3)
DMAS-Reduce Payments for Specialized Nursing Care	(1.3)
DCR-Reduce Funding for Conservation Reserve Enhancement	(1.2)
DMAS-Eliminate Transitional Medicaid for TANF Recipients	(1.0)

DMAS-Prior Authorization for Certain Prescriptions	(1.0)
DMAS-Accelerate Family Planning Waiver	(1.0)
DOE-Central Office Eliminate Various Agency Functions	(1.0)
DMAS-Increase Prescription Drug Copayments	(\$ 0.9)
DCJS-Reduce Support for Research and Crime Prevention Centers	(0.8)
VMI-Reduce Fund for Unique Military Activities At Virginia Tech and Mary Baldwin College	(0.7)
CLG-Eliminate Commission on Local Government	(0.6)
Public Ed-Reduce Funding for Special Projects and Consortia	(0.5)
SCHEV-Eliminate Support for VWIL Program	(0.5)
DMAS-Reduce Payments for Durable Medical Equipment	(0.8)
DMAS-Eliminate Inflation Increase for Medically Needy	(0.5)
Other Reductions	(6.0)
Technical Reductions	
Public Ed.-Adjust SOQ for Latest Sales Tax Estimate	(\$15.9)
Public Ed.-Savings from Non-Participation in Incentive-Based Accounts	(12.5)
Public Ed.-Adjust SOQ for Latest Inflation Factors	(3.1)
Treasury Bd.-Reduce Debt Service Payments	(1.3)
Public Ed.-Update Special Education Categorical Accounts	(0.9)
Total	(\$ 328.5)

Proposed Spending Increases

HB 1400/SB 700 proposes about \$601.5 million in general fund spending increases. Of the total, about 70 percent is attributable to proposed increases in five areas:

- 1) the increasing cost of Medicaid (\$142.4 million);
- 2) maintaining the car tax reimbursement at 70 percent (\$127.6 million);
- 3) updating the cost of the state share of the Standards of Quality for public schools, along with related categorical and incentive

programs, and distributing additional lottery proceeds (\$97.9 million);

- 4) the increasing cost of serving special needs children under the Comprehensive Services Act (\$35.7 million); and
- 5) providing additional support from the general fund to offset the loss of out-of-state inmate revenue (\$23.9 million).

Major Spending Increases	
Proposed in HB 1400/SB 700, As Introduced	
(GF \$ in millions)	
Benefit Cost Increases	
Cen. Accts.-Increase Health Benefit Premiums for State Employees	\$15.1
UVA-Increase Funds for UVa Health Care Plan	1.3
Car Tax	
Car Tax at 70%	\$127.6
Public Education	
Public Ed.-Update Costs of the Standards of Quality Programs	\$31.8
Public Ed.-Provide Additional Lottery Proceeds to School Divisions	44.6
Public Ed.-Update Costs of Public Education for Latest Census Information	11.3
Public Ed.-Update Costs of Public Education Incentive-Based Programs	9.4
DOE-Governor's PASS Initiative	0.8
Sch. for Deaf and Blind at Staunton-Temp. Boiler	0.5
Human Resources	
DMAS-Medicaid Funding for Utilization and Inflation	\$142.4
CSA-Fund Mandated Foster Care and Special Education Services	35.7
DMAS-Mitigate Payment Reductions to Keep Medicaid Critical Care Providers (PATH)	30.0
DMAS-Fund Indigent Health Care at Teaching Hospitals	18.4
DMAS-Add Funds for Unrealized Savings Strategies	15.6
DMAS-Provide Additional Funds for Transportation Brokering Services	8.8

DSS-Fund Mandated Foster Care Maintenance & Adoption Subsidies	6.9
DMAS-Involuntary Mental Commitments	3.8
DMHMRSAS-Acute Care Services in Private Psychiatric Hospitals	3.6
DMAS-Complete Development of the New Medicaid Claims Processing System	2.6
DMHMRSAS-Community Medications	1.4
VDH-Fund Move to the Renovated Madison Building	1.0
DMHMRHSAS-Implement Civil Commitment of Sexually Violent Predators	0.3
Higher Education/Other Education	
NSU-Adjust October Reductions for OCR Accord	\$ 1.0
VSU-Adjust October Reductions for OCR Accord	0.7
State Library-Technical Amendment for Rental Rates	0.6
SMV-Transfer of Museum of Natural History	1.5
Public Safety	
DOC-Replace Out-of-State Inmate Revenue with GF	\$ 24.0
Courts-Criminal Indigent Defense Fund	4.0
DJJ-Operating Funds for Culpeper Juvenile Correctional Center	0.9
DOC-Develop Inmate Re-entry Program	0.4
Debt Service	
Treas. Bd.-Debt Service for Supplanted Capital Projects	\$ 7.6
Commerce And Trade/Natural Resources	
Cen. Accts-Indemnification for Poultry Growers	1.5
DEQ-Water Program Permit Fee Shortfall	1.6
General Government	
Tax-New Tax Compliance Efforts	\$ 11.3
Comp. Bd.-Provide Funding for Local and Regional Jail Per Diem Payments	7.8
CGC-Support Charitable Gaming Commission from General Funds	2.1
Comp. Bd.-Insurance Premiums for Constitutional Officers	1.3
Tax-Federal Debt Set-off Program	1.0
Cen Accts-Unbudgeted Cost Increases	4.0
Cen Accts-Increase in Property Insurance Premiums	0.6
Cen Accts-Spread Wilder Commission Reductions	6.3

Other Spending	\$10.4
Total	\$ 601.5

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

Health and Human Resources. The Governor’s proposed amendments to the 2002-04 budget for Health and Human Resources result in a net increase of \$20.5 million GF for the biennium when compared to Chapter 899.

Over three-fourths of new spending in Health and Human Services is attributable to projected cost and enrollment increases in Medicaid (\$142.4 million GF), increased costs for at-risk youth served under the Comprehensive Services Act (\$35.7 million GF), and funding to maintain Medicaid and FAMIS access to critical care providers through a new program, Protecting Access to Healthcare or PATH (\$30.0 million GF).

General fund spending reductions are concentrated in three areas: Medicaid (\$101.2 million GF), mental health, mental retardation, and substance abuse services (\$56.3 million GF), and social services (\$43.5 million GF). Medicaid savings include the deferral of inflation adjustments in FY 2004 for health maintenance organizations participating in Medicaid and FAMIS, nursing homes, and private inpatient hospitals, resulting in savings of \$56.9 million GF. Pharmacy expenditures will be curtailed by \$13.9 million GF, and reimbursement rates for outpatient hospitals, rehabilitation services, and specialized care in nursing homes will be reduced by \$12.0 million GF.

Most of the reductions at the Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) and the Department of Social Services (DSS) were made in October 2002. At that time, the Governor reduced the DMHMRSAS budget by \$42.0 million, primarily through reductions of \$30.8 million in grants to local Community Services Boards. Reductions to the DSS budget included substituting \$22.5 million GF with federal dollars (\$9.4 million), reducing general fund support for local administration (\$5.1 million) and substituting a general fund appropriation in pre-kindergarten programs in the Department of Education to match federal child care funding (\$7.9 million).

Direct Aid for Public Education. The Governor's proposed amendments result in a net increase of \$2.1 million GF and \$84.8 million NGF for the biennium compared to Chapter 899. This total reflects new general fund spending of \$87.7 million offset by \$85.6 million in general fund reductions.

General fund reductions include supplanting a portion of teacher retirement and Social Security payments with additional Literary Fund revenue (\$62.1 million) and reducing funding for special programs, such as Project Discovery and the regional consortia, by 15 percent (\$543,363). The remaining reductions are technical updates, including a net \$15.9 million GF to reflect sales tax revenues lower than those assumed in Chapter 899; \$3.1 million GF due to updated inflation factors; and \$4.0 million GF for updated participation in other incentive and categorical accounts.

Proposed general fund increases include technical adjustments to return the local share of increased lottery proceeds (\$44.6 million); revising the Standards of Quality, and selected incentive and categorical accounts for updated enrollment and participation projections (\$31.7 million); and changing the distribution of sales tax consistent with the results of the 2002 Triennial Census (\$11.3 million). New federal funding (\$22.2 million) is included for the Reading First, Teacher Quality, school food, and limited English proficiency programs.

The proposed budget also redirects funds for three programs – Dropout Prevention, School Health Incentive Payments and Technology Support Payments – to a new Student Achievement Block Grant. School divisions can use the grant for any of the following programs: K-3 Reduced Class Size, Early Reading Intervention, At-risk Four-Year-Olds, and SOL Remediation. The funding is not redistributed, with school divisions receiving the same amount of funding for the block grant as under funding formulas for the original programs.

General Government. The proposed amendments for Executive offices contain a net decrease of \$7.6 million GF for the biennium, compared to Chapter 899. Most of the general fund reductions reflect the across-the-board actions announced by the Governor in October, \$6.5 million of which is in the Office of the Attorney General. Language is also recommended to initiate the program for civil commitment for sexual predators.

For the Judicial Department, the proposed amendments contain a net biennial increase of \$0.9 million GF compared to Chapter 899. This total reflects new

spending of \$4.0 million GF for criminal indigent defense, offset by \$3.1 million GF in reductions announced by the Governor in October. The reductions include decreases in training for judges, 60-day hiring delays for classified employees, reductions in the use of overtime, wage employees, substitute judges, and mediation.

In addition, language is included establishing a new \$100 fee for driving under the influence (DUI) convictions, and increasing the fee for the Intensified Drug Enforcement Jurisdictions Fund from \$2 to \$3. Language amendments are also included in the Virginia Criminal Sentencing Commission authorizing the commission to adjust the non-violent felony risk assessment instrument to identify additional low-risk, non-violent offenders for sentencing options, and to develop sentencing guidelines for technical probation violators. The intent of these amendments is to increase the utilization of sentencing options for non-violent offenders who do not pose a significant recidivism risk.

The proposed amendments for Administration agencies result in a net reduction of \$47.2 million GF when compared to Chapter 899. New spending items include \$7.8 million for increased per diem payments to local/regional jails and \$1.3 million for increased insurance premiums for Constitutional Officers. Proposed reductions are spread across the agencies with the largest savings generated by the Compensation Board and the Department of General Services (DGS). Reductions of five percent are applied to sheriffs and Commonwealth's Attorneys and 11 percent reductions are proposed for the treasurers, commissioners of revenue and circuit court clerks. In combination with administrative efficiencies, these proposals generate total biennial savings of \$47.8 million from the Compensation Board. Savings at DGS total \$7.4 million and include increased reliance on fees for services.

For the Finance agencies, the Governor's amendments result in a net reduction of \$8.9 million GF and a net increase of \$3.2 million NGF for the biennium when compared to Chapter 899. Major appropriation increases relate to proposed revenue-generating initiatives at the Department of Taxation, including \$11.3 million for enhanced compliance efforts, and \$1.0 million to initiate a federal debt setoff program. To implement the enhanced compliance efforts, 83 additional positions are provided to the Department of Taxation.

Of the proposed reductions, \$4.2 million GF is generated from debt service savings achieved by refunding outstanding bonds. The remainder is from targeted reductions – largely those announced in October – including \$1.0 million from the Department of Planning and Budget, \$1.3 million from the Department of Accounts,

\$2.1 million from the Department of Taxation, and \$1.0 million from the Department of Treasury.

Public Safety. Proposed amendments result in a net decrease of \$80.1 million GF for the biennium when compared to Chapter 899. This net change is the result of increases totaling \$26.0 million, offset by reductions totaling \$106.1 million.

The largest single increase is \$23.9 million GF for the Department of Corrections (DOC) to offset the loss of out-of-state prisoner revenues. Budget reductions for DOC total \$49.1 million GF, resulting in a net reduction of \$24.7 million GF for the biennium compared to Chapter 899.

Other amendments include \$0.9 million GF for the Department of Juvenile Justice to continue operating Culpeper Juvenile Correctional Center as a facility for females. The Governor also recommends a five percent reduction in the budget for the Department of State Police.

Amendments also propose increasing the average price of alcoholic beverages, thereby increasing profits in the Department of Alcoholic Beverage Control. The additional profits would flow to the state, as language is added to override the statutory requirement that two-thirds of the increased profits be distributed to localities.

Finally, funding for HB 599 (state aid to localities with police departments) is reduced \$5.5 million the first year, to reflect the decline in the general fund revenue estimate in the budget as introduced.

Higher and Other Education. The proposed amendments for higher education result in a net decrease of \$283.4 million GF for the biennium when compared to the original appropriation. Major general fund decreases include \$260.9 million for the Governor's October budget reductions, \$11.7 million in targeted reductions to the Tuition Assistance Grant program, and \$8.4 million for the distribution of central account reductions adopted in Chapter 899.

Of the \$260.9 million GF reductions announced by the Governor in October, \$240.7 million GF is generated through targeted reductions to the institutions' budgets. Reductions average 4.5 percent in FY 2003 and 6.3 percent in FY 2004. To offset a portion of these reductions, the budget proposes allowing institutions of higher education to generate additional revenue through mid-year tuition surcharges.

The Governor also proposes eliminating \$2 million GF from central accounts in undistributed student financial aid.

The proposed amendments for other education agencies result in a net decrease of \$18.7 million GF for the biennium when compared to Chapter 899, of which about 30 percent is from reductions in aid to local libraries.

Transportation. The Governor's amendments result in a net reduction of \$442.9 million NGF for the biennium when compared to Chapter 899. This total reflects new spending of \$188.9 million, offset by \$631.8 million in appropriation reductions. Most of the reductions for Transportation agencies are technical and do not result in programmatic reductions. Over 50 percent (\$320.4 million) reflect the reconciliation between the current Appropriation Act and revisions to transportation revenue estimates since last December. These adjustments do not impact the programs of these agencies because the Commonwealth Transportation Board acknowledged the revenue shortfall in the Six-Year Transportation Program adopted in June.

In addition to the technical revenue adjustments, there are targeted savings of \$112.2 million NGF, with the largest reductions applied to VDOT, totaling \$63.5 million over the biennium. These reductions are from a number of administrative efficiencies, primarily in the areas of information technology.

The Department of Motor Vehicles (DMV) has reductions of \$37.3 million over the biennium. These reductions come from reducing direct customer services, including closing 12 customer service centers across the state and closing the remaining 62 centers on Wednesdays. DMV also will implement a number of other administrative actions to achieve savings, including the cumulative reduction of 346 positions and 579 layoffs.

Commerce and Trade. The Governor's amendments for Commerce and Trade agencies result in a net general fund reduction of \$35.7 million and a net decrease of \$2.7 million NGF for the biennium. About 111 FTE positions are eliminated. Most of the reductions are tied to the Governor's October Plan - \$25.2 million GF and \$4.6 million NGF.

Major targeted general fund reductions include the Virginia Tourism Authority's Cooperative Advertising Program (\$3.4 million); Agriculture's Meat and Poultry Inspection Program (\$1.0 million); and reductions to three programs within

the Department of Housing and Community Development - Homeless Program (\$1.4 million), Industrial Site Development Program (\$1.7 million), and the Regional Workforce Services Program (\$4.0 million).

Natural Resources. The proposed budget would reduce Natural Resources spending by \$28.1 million GF for the biennium, including a \$4.2 million GF decrease for state parks, accompanied by a 10 percent park admission fee increases. Funding for local Soil and Water Conservation Districts would be reduced by \$1.6 million GF. The proposed budget reduces the Marine Resources Commission by \$3.9 million GF and anticipates an increase of \$1.3 million NGF from increases in saltwater fishing license fees contingent on adoption of legislation in the 2003 session. The budget also reduces transfers to the Department of Game and Inland Fisheries by \$2.0 million GF, which originates from watercraft and sporting goods sales taxes.

The Governor also proposes to reduce the number of agencies in the secretariat by transferring the responsibilities of the Museum of Natural History to the Science Museum of Virginia, merging the Chesapeake Bay Local Assistance Department into the Department of Conservation and Recreation as a new division, and merging Chippokes Plantation Farm Foundation into the Department of Conservation and Recreation.

Technology. The Governor's amendments in Technology result in a net increase of \$10.6 million GF for the 2002-04 biennium when compared to the original appropriation. The proposed new spending is attributable to the anticipated creation of the new Virginia Information Technologies Agency and the implementation of information technology reforms. Specifically, three existing information technology agencies will be consolidated into the new Virginia Information Technologies Agency. In addition, language amendments are proposed that would authorize the transfer of \$37.4 million currently used for information technology resources from Executive Branch agencies to be used by the new agency, generating \$4.0 million GF and \$19.4 million NGF in savings. Additional amendments authorize the transfer of information technology positions from all Executive Branch agencies to the new agency.

Central Appropriations. The proposed budget amendments include an increase of \$127.6 million to continue the Personal Property Tax Relief program at 70 percent reimbursement. Other proposed increases include \$15.1 million GF in the second year to pay the employer share of health insurance premium increases, \$1.5 million GF in FY 2004 for the indemnification of poultry growers, and second year

funding for the operation of the new Veteran's Cemetery. Nongeneral fund increases of \$3.8 million are proposed for a technical adjustment to the appropriation of the Tobacco Indemnification and Community Revitalization Fund and the Virginia Tobacco Settlement Fund.

Central Appropriations also includes general fund reductions including \$101.4 million from the December 2003 compensation reserve; \$3.5 million from reduced rent plan expenditures in state-owned space operated by DGS; and \$2.6 million from reductions to the VRS administrative budget.

Capital Outlay. The Governor's proposed capital outlay amendments contain a net increase of \$354.0 million in project funding. Specific actions include \$153.8 million in state-supported debt, through the Virginia College Building Authority and the Virginia Public Building Authority, of which \$84.9 million is to supplant general fund projects authorized in prior biennia, \$3.4 million is to supplant nongeneral fund projects authorized in prior biennia, and \$65.5 million is to finance new projects or project supplements.

The budget also includes \$10.5 million in 9(c) bond authority and \$99.8 million in 9(d) bond authority for auxiliary enterprise and other NGF revenue-supported projects at higher education institutions, and \$115.1 million in NGF projects. The budget as introduced also includes a reduction of \$24.9 million GF in the Maintenance Reserve program.

Balances from previously authorized general and nongeneral fund capital projects totaling \$92.4 million are reverted to the general fund including \$84.4 million from capital projects authorized in prior biennia and \$7.9 million in nongeneral fund balances (Transportation Trust Funds and special funds) from projects authorized in prior biennia and in the current biennium. In addition, \$5.7 million GF is transferred through actions in Part 3 of the budget.

Finally, \$3.4 million NGF is reverted from projects supported by inmate revenues and transferred to the operating budget of the Department of Corrections. In total \$101.5 million of capital project balances are reverted through these actions.

Nonstate Agencies. The Governor's amendments for nonstate agencies decrease funding by \$937,540 GF the first year - a 15 percent reduction in the grant amounts for each of these organizations. No funding is recommended in FY 2004.