

Overview of the Governor's Budget Recommendations for 2008-10

The Governor's general fund budget recommendations for 2008-10 are predicated on an economic outlook that (1) remains sluggish through most of fiscal year 2009 as the impact of the housing and subprime mortgage markets continues to affect consumer and financial confidence, and (2) begins to moderate and rebound towards long-term trend rates in 2010. Specifically, the revenue outlook assumes below trend revenue growth of 3.3 percent in fiscal year 2009 (economic growth rate of 5.2 percent), accelerating to 6.7 percent in fiscal year 2010.

In addition, the budget recommends the reversion of \$180.0 million in fiscal year 2009 from the \$500.0 million in general fund dollars that were appropriated to transportation in fiscal year 2008. The budget utilizes these dollars as a means of "cash-flowing" a like amount of spending in fiscal year 2009. The dollars are restored through an appropriation to transportation in fiscal year 2010.

In total, the budget provides approximately \$36.2 billion in available general fund resources for the 2008-10 biennium.

The budget, as introduced, proposes net general fund operating increases over the two-year period of about \$2,710.8 million above the adjusted current services budget. In addition, the budget provides \$54.0 million GF for capital outlay funding, primarily for maintenance projects in fiscal year 2010.

The Governor's capital construction package, contained in the introduced budget and separate legislation, provides \$2.3 billion in taxpayer supported general fund debt. The largest proposal is the \$1.5 billion general obligation bond package for higher education.

Proposed General Fund Budget for 2008-10	
(\$ in millions)	
Resources Available for Appropriation	\$ 36,197.7
Operating Appropriations	36,120.3
Capital Outlay Appropriations	<u>54.0</u>
Unappropriated Balance	\$ 23.4

Revenues

The 2008-10 general fund revenue forecast assumes growth rates of 3.3 percent for FY 2009 and 6.7 percent for FY 2010. The FY 2009 growth rate reflects several adjustments related to continued weakness in the housing market and its impact on job growth and consumer spending. The forecast also reflects previously approved policy actions that eliminate the estate tax, increase the level of refunds attributable to the land conservation tax credit and the low income tax credit, and dedicate 3 cents in recordation taxes to transportation. Disregarding tax policy actions, the pure economic growth rate

assumed in the introduced budget is 5.2 percent in FY 2009 and 6.7 percent in FY 2010 (projected economic growth in FY 2008 is 3.6 percent).

Finally, total general fund resources include \$1.6 billion in transfers. Of this amount, \$900.0 million represents the transfer of lottery profits estimated at \$450.0 million in each year of the biennium; \$501.6 million over the biennium represents the additional one-quarter cent for public education; \$69.1 million over the biennium represents ABC profits; and \$65.4 million per year in ABC taxes and \$9.9 million per year in wine tax profits are directed to the Department of Mental Health, Mental Retardation and Substance Abuse Services for substance abuse programs. Balance adjustments reflect the reversion of \$180.0 million in general funds appropriated to transportation in fiscal year 2008. A like amount is recommended for appropriation to transportation in fiscal year 2010.

General Fund Resources Available for Appropriation (2008-10 biennium, \$ in millions)	
Net Beginning Balance	\$ 29.0
Adjustments to Balance	190.1
Revenue Estimate	34,335.7
Lottery Proceeds	900.0
Other Transfers	<u>743.1</u>
Total GF Resources	\$36,197.7

Proposed Spending Increases

The budget, as introduced, proposes net new spending of \$2,764.8 million GF above the adjusted base budget for the next biennium. The majority of major proposed spending items include programs driven by federal and state mandates, enrollment growth, and caseload increases:

- \$942.5 million GF for the cost of the state’s share of the Standards of Quality for public schools, including projected enrollment, prevailing salaries and nonpersonnel services costs, adjusted benefit contribution rates, updates to related categorical and incentive programs, and updates to the composite index.
- \$344.0 million GF to address the increased cost to Medicaid from increased utilization and inflation.
- \$180.0 million GF to repay transportation in FY 2010.
- \$158.6 million GF to address anticipated growth in the CSA program.
- \$132.4 million GF for the state’s share of a 3.5 percent salary increase for teachers effective July 1, 2009.

- \$122.0 million GF for a proposed salary increase effective July 1, 2009 that would provide a three percent salary increase for state and state-supported local employees and teaching and research faculty.
- \$44.3 million GF for enrollment growth and base adequacy at Virginia's public colleges and universities; \$18.2 million for financial aid; and \$46.8 million for higher education research support, including the continuation of the \$25.5 million approved by the General Assembly in the 2006-08 biennium.

**Major Spending Increases Proposed in
HB/SB 30 as Introduced
(Biennial GF \$ in millions)**

Legislative Department

Capitol Police

Fully Fund Staff and Other Critical Needs \$1.4

Judicial Department

Supreme Court of Virginia

Court Appointed Attorney Waiver Program for Juvenile Cases \$2.0

Circuit Courts

Criminal Fund (Funding amendments spread throughout Judicial Dept.) \$20.0

Magistrate System

Additional Staffing and Funding for Magistrate System \$7.8

Administration

Compensation Board

Inmate Per Diem Payments \$29.8

New & Expanded Jails 20.5

Reimburse Localities for LEOS Costs 6.0

Agriculture and Forestry

Department of Agriculture and Consumer Services

Purchase of Development Rights Matching Funds \$6.0

Commerce and Trade

Secretary of Commerce and Trade

Code-Stipulated Semiconductor Manufacturing Performance Grants \$24.2

Governor's Opportunity Fund 15.1

Accelerated Semiconductor Manufacturing Performance Grants 13.8

Virginia Investment Partnership (VIP) Grants 3.6

Department of Business Assistance

Virginia Jobs Investment Program \$2.0

Department of Housing and Community Development

Rural Broadband Program	\$1.0
Virginia Economic Development Partnership (Central Appropriations)	
Military Strategic Response (BRAC and DARPA)	\$25.0
Rolls-Royce Incentive Funding	10.7
SRI International Grants	7.0
Education	
Direct Aid (DA) to Public Education	
Update Re-benchmarking Component Costs:	
Standards of Quality	\$890.3
Net Sales Tax Revenues	45.7
Net Lottery Revenues	34.3
Incentive-based Programs	12.0
Categorical Programs	9.9
Composite Index	9.9
Salary Increase: 3% Staff & 3.5% Instructional Staff Effective July 1, 2009	132.4
Expand Virginia Preschool Initiative (VPI)	30.1
New Funding for 54 Data Coordinators in At-Risk High Schools	2.1
Increase Funding - National Board Teacher Certification Bonuses	1.9
Expand Virtual Virginia Advanced Placement Program	1.0
Increase Funding to Four Supplemental Education Programs	1.0
Department of Education (DOE), Central Office Operations	
Expand PreK-3rd Grade Diagnostic (PALS Testing) and 3 new FTEs	\$1.4
Virginia School for the Deaf, Blind and Multi-Disabled	
Increase Operations and Add 53 FTEs at Staunton Due to Consolidation	\$6.9
Higher Education	
Colleges and University	
Base Adequacy	\$44.3
Continuation of Research at Colleges and Universities	25.5
Higher Education Research Initiatives	21.3
Undergraduate Student Financial Aid	18.2
Expand VCCS Middle College & Career Coaches Programs	3.7
Affiliated Higher Education	
Southside Higher Education Centers Operating Support	\$2.0
Institute for Advanced Learning and Research	1.3
State Museums	
Fine Arts Museum Operating Support for New Expansion	\$2.7
Finance	
Department of Accounts Transfer Payments	
Mandatory Revenue Stabilization Deposit	\$21.3
Line of Duty Act OPEB Requirement	3.9
Treasury Board	
Debt Service on Existing Bond Projects	\$139.4

Debt Service on Proposed Bond Projects	42.4
Debt Service on Existing HEETF Program	12.9
Debt Service on HEETF for Research	3.4
Health and Human Resources	
Comprehensive Services Act	
Mandatory Caseload and Cost Increases	\$158.6
Foster Care Rate Increases	3.7
Department of Health	
Add Funding for Community-Based Health Safety Net	\$10.0
Salary Alignment for Office of the Chief Medical Examiner	1.0
Department of Medical Assistance Services	
Medicaid Utilization and Inflation	\$344.0
FAMIS Utilization and Inflation	17.0
Medicaid SCHIP Utilization and Inflation	10.3
VirginiaShare Health Insurance Program	7.8
Mental Retardation Waiver Slots	7.2
Expand Prenatal Care for Pregnant Women (FAMIS Moms)	2.6
Department of Mental Health, Mental Retardation, and Substance Abuse Services	
Emergency Mental Health Services	\$14.6
Mental Health Case Management Services	8.8
Programs to Divert People with Mental Illness from Jails	6.0
Sexually Violent Predator Program	5.9
Outpatient Mental Health Services for Children	5.8
Outpatient Mental Health Services Provided by Clinicians and Therapists	4.5
Department of Social Services	
Offset Loss of Federal Funds for Child Welfare Services	\$23.9
Foster Care and Adoption Subsidy Caseload and Cost Increases	10.5
Foster Care Rate Increases	8.5
Recruitment and Retention of Foster and Adoptive Parents	6.9
Quality Rating System for Early Childhood Programs	4.7
Child Welfare Worker Training	4.4
Financial Incentives for Early Childhood Education Workers	4.0
Offset Loss of Federal Funds for Child Support Enforcement Operations	3.3
Increase Monthly Foster Care Visits	2.0
Early Childhood Foundation	2.0
Local Reentry Pilot Program	1.1
Natural Resources	
Department of Conservation and Recreation	
Water Quality Improvement Fund (WQIF) - Non-point Source	\$6.0
Dam Repair and Safety	2.0
Operating Support for VA Outdoors Foundation	1.9
State Park Operations	1.5
Department of Environmental Quality	
Combined Sewer Overflow Funding	\$6.0

Wastewater Facilities Revolving Fund Match	1.2
Public Safety	
Department of Corrections	
Inmate Medical Costs	\$23.8
Increase Amounts for Information Technology Functions	14.2
Annualize Appropriation for St. Brides Correctional Center Operations	6.0
Transitional Probation and Parole Officers	2.0
Funding for Craigsville Wastewater Treatment Plant	1.5
Develop Prison Transition Centers	1.4
Department of State Police	
Provide Funding for Fuel Expenses	\$2.7
Funding for 10 Additional State Troopers	2.2
Technology	
Virginia Information Technologies Agency	
Eliminate GF Savings Assumed in FY 2008	\$9.8
Transportation	
Department of Transportation	
Restores Appropriation of Funds from 2007 Transportation Initiative	\$180.0
Central Appropriations	
Central Appropriation	
Provide Funding for July 1, 2009 Salary Increases	\$122.1
State Employee Health Insurance	33.9
Funding for impact of VITA rate changes	19.0
VRS Retirement Contribution Rate Changes	12.3
Higher Education Payments for Interest Earned and Credit Card Rebates	4.0
Fund Increase in State Employee Workers Compensation Premiums	2.8
Increased Rental and Energy Costs at the Seat of Government	2.3
Additional Funding for Productivity Investment Fund	1.4
Nonstate Agencies	\$5.8
Capital Outlay	
Maintenance Reserve	\$50.0
Miscellaneous Renovations	2.5
Project Planning	1.5
Grand Total	\$2,915.7

Proposed Budget Savings

The introduced budget includes about \$683.4 million in proposed general fund budget savings. The proposed savings are detailed below.

Major Spending Reductions Proposed in HB/ SB 30, as Introduced (Biennial GF \$ in millions)	
Executive Offices	
Attorney General and Department of Law	
Continue FY 2008 Budget Reductions	(\$2.3)
Administration	
State Compensation Board	
Remove Exemptions to Federal Prisoner Overhead Recoveries	(\$5.6)
Constitutional Officers' Insurance Premiums	(3.2)
Vacancy Savings for Clerks, Treasurers, Directors of Finance, & Commissioners of the Revenue	(2.6)
Continue FY 2008 Budget Reductions	(1.8)
Department of General Services	
Close Abingdon Laboratory	(\$0.6)
Continue FY 2008 Budget Reductions	(1.4)
State Board of Elections	
Continue FY 2008 Budget Reductions	(\$1.4)
Agriculture and Forestry	
Department of Agriculture and Consumer Services	
Continue FY 2008 Budget Reductions	(\$2.0)
Department of Forestry	
Continue FY 2008 Budget Reductions	(\$1.7)
Commerce and Trade	
Department of Business Assistance	
Continue FY 2008 Budget Reductions	(\$1.3)
Department of Housing and Community Development	
Continue FY 2008 Budget Reductions	(\$2.0)
Virginia Economic Development Partnership	
Continue FY 2008 Budget Reductions	(\$1.8)
Virginia Tourism Authority	
Continue FY 2008 Budget Reductions	(\$1.7)
Eliminate Pass-Through Grants	(1.5)
Education	
Direct Aid (DA) to Public Education	
Update VRS, RHCC & Group Life Rates for SOQ positions	(\$58.8)
Increase Literary Funds for VRS Payments	(30.0)

Reduce Funding for Career & Technical Education Equipment	(1.0)
Department of Education (DOE), Central Office Operations	
Continue FY 2008 Budget Reductions	(\$2.8)
Virginia School for the Deaf, Blind and Multi-Disabled	
Adjust & Transfer Funding Due to Consolidation	(\$10.7)
Higher Education	
Colleges and Universities	
Continue FY 2008 Budget Reductions	(\$161.8)
Affiliated Higher Education Agencies	
Continue FY 2008 Budget Reductions	(\$9.5)
State Museums	
Continue FY 2008 Budget Reductions	(\$4.9)
Finance	
Department of Accounts Transfer payments	
Limit Wine Tax Distribution to Towns	(\$8.2)
Limit ABC Profits Distribution to Towns	(7.8)
Department of Taxation	
Continue FY 2008 Budget Reductions	(\$8.3)
Reflect New VITA Rates	(1.4)
Health and Human Resources	
Comprehensive Services Act	
Incentives for Community-based Care for Children	(\$12.5)
Substitute TANF Instead of GF for CSA Trust Fund	(1.0)
Department of Health	
Substitute TANF Instead of GF for Eligible Programs	(\$4.0)
Supplant Trauma Center Funding with NGF Revenues	(3.8)
Reduce funding for Electronic Health Records	(1.1)
Replace GF with Increased Fee Revenue	(1.0)
Department of Medical Assistance Services	
Reduce Rates for Managed Care Organizations	(\$120.2)
Adjust Funding for Virginia Health Care Fund Revenue	(18.4)
Improve Management of Rehabilitation Services	(8.4)
Deinstitutionalize Medicaid Recipients	(5.4)
Implement Pharmacy Savings Initiative	(2.1)
Expand the Preferred Drug List	(2.0)
Reduce Funding for Involuntary Mental Commitments	(1.8)
Implement Chronic Care Management Program	(1.6)
Mental Health, Mental Retardation & Substance Abuse Services	
Maximize Medicare Part D Revenues	(\$19.6)
Maximize Federal Revenues for Inpatient Services	(6.0)
Reduce Personnel Costs at State Facilities	(3.3)
Consolidate Management at Hiram Davis/SSVTC	(1.7)
Department of Social Services	
Substitute TANF Instead of GF for Eligible Programs	(\$9.8)
Adjust Appropriation for General Relief Program	(2.3)
Reduce Funding for Central Administration Activities	(2.0)

Adjust Appropriation for Auxiliary Grant Program	(1.0)
Reduce Funding for Caregivers Grant Program	(1.0)
Natural Resources	
Department of Conservation and Recreation	
Continue FY 2008 Budget Reductions	(\$3.0)
Eliminate Funding for State Park Dam Repair	(1.3)
Department of Environmental Quality	
Continue FY 2008 Budget Reductions	(\$4.3)
Marine Resources Commission	
Continue FY 2008 Budget Reductions	(\$1.5)
Public Safety	
Department of Correctional Education	
Continue FY 2008 Budget Reductions	(\$3.8)
Department of Corrections	
Continue FY 2008 Budget Reductions	(\$38.4)
Recover Turnover and Vacancy Savings	(14.2)
Department of Criminal Justice Services	
Continue FY 2008 Budget Reductions	(\$23.0)
Department of Forensic Science	
Continue FY 2008 Budget Reductions	(\$1.4)
Department of Juvenile Justice	
Continue FY 2008 Budget Reductions	(\$11.0)
Department of State Police	
Continue FY 2008 Budget Reductions	(\$4.2)
Central Appropriations	
Central Appropriation	
VRS Rates Changes for Life Insurance, VSDP and Retiree Health Credit	(\$6.3)
Grand Total	(\$683.4)

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

Public Education. The proposed budget for Direct Aid to localities for public education contains a net biennial increase of \$1,080.7 million GF and \$117.3 million NGF for the biennium. The largest increase in funding reflects spending of \$942.5 million GF for the technical and formula-driven re-benchmarking of the Standards of Quality (SOQ) costs. In addition, \$132.4 million GF is added for the state's share of a 3.5 percent salary increase for SOQ teachers and instructional positions, effective July 1, 2009 (3.0 percent for other SOQ positions).

The proposed budget increases the amount of Literary Fund revenues used to offset a portion of the general fund for teacher retirement costs to \$171.1 million the first year and decreases the amount to \$91.1 million the second year. It is anticipated that about \$24.0 million each year in Literary Funds would be available for school construction loans and interest rate subsidies.

The Governor proposes adding \$30.2 million GF, and \$14.9 million NGF the second year from TANF funds, for the Virginia Preschool Initiative (VPI) for at-risk four-year-olds. The proposal would expand criteria to free-and-reduced-lunch eligibility; increase the maximum per pupil amount to \$6,790; provide a minimum state share of 50 percent; and, allow charitable or business contributions to count toward the required local match. (In addition, another \$10.6 million is budgeted in the Department of Social Services for related initiatives and \$0.7 million GF for VPI evaluation and administration in the Department of Education.)

Other increases include: \$2.1 million GF the second year for new data coordinators in high schools that are not fully accredited, \$1.8 million GF for bonuses for National Board Certified teachers, and \$1.0 million GF to expand the Virtual Virginia Advanced Placement program.

For the Virginia Schools for the Deaf, Blind, and Multi-Disabled, the proposed budget reflects a net decrease of \$2.7 million GF and 75 state positions by the second year due to consolidation of the state-operated residential program at Staunton and transition to a local regional day program in the Hampton Roads area.

Health and Human Resources. The proposed budget for Health and Human Resources (HHR) provides a net increase of \$642.0 million GF and \$513.9 million NGF over the biennium compared to the adjusted base budget. Almost 83 percent of the increased spending is required to comply with federal and state mandates, meet caseload and cost increases, and maintain services at current levels. Most of this increase is due to caseload and cost increases in Medicaid (\$344.0 million), Comprehensive Services Act (\$158.6 million), the FAMIS and SCHIP children's health insurance programs (\$27.2 million), and the foster care and adoption subsidy programs (\$10.5 million). Spending to maintain services at current levels requires the addition of \$27.2 million GF, primarily due to the loss of federal funds for mandated activities in the Department of Social Services. This includes a total of \$23.9 million for child welfare services and \$3.3 million GF for child support enforcement activities.

In addition, \$99.3 million GF is dedicated to four major initiatives, including: \$41.6 million to expand mental health services, \$25.8 million GF for child welfare improvements, \$21.3 million to expand access to health care, and \$10.6 million for pre-school expansion. The proposed budget also includes \$10.7 million for improvements to agency operations and services, and \$9.0 million for other service expansions, the largest of which is \$7.2 million GF to add 150 community mental retardation waiver slots.

About 82 percent of the budget savings proposed for Health and Human Resources come from continuation of 2008 budget reduction strategies. The remaining \$44.1 million GF in savings is attributable to offsets in general fund spending from increased nongeneral fund revenues, additional cost containment strategies, and additional base adjustments which were not identified in the October 2007 budget reductions. Significant budget reductions include:

- \$18.4 million from increases in revenue in the Virginia Health Care Fund, which offsets general fund spending in the Medicaid program. Two of three revenue sources for the fund are projected to increase over the biennium, including \$4.3 million more from the Tobacco Master Settlement Agreement and \$20.3 million more from prior year Medicaid recoveries.
- \$12.5 million from financial incentives in the Comprehensive Services Act program to encourage localities to improve the use of appropriate community care instead of more costly institutional care of children.

Higher Education. The budget proposes \$117.2 million in net new general fund support above the adjusted base budget. Proposed increases for higher education include \$44.3 million GF to address base adequacy and enrollment growth; \$46.8 million for research activities, including the continuation of \$25.5 million begun in the 2006-08 biennium for research support at public colleges and universities; \$18.2 million GF in undergraduate student financial aid at public institutions, and \$8.4 million in other new initiatives or program enhancements.

Other Education. The Governor's proposed budget includes \$2.7 million GF for additional staff and program support at the Virginia Museum of Fine Arts; \$170,000 GF for operations and maintenance due to gallery expansion at the Jamestown Yorktown Foundation; and \$100,000 GF to support the Fairfax Library System.

Judicial. The budget, as introduced, for the Judicial Department includes an additional \$20.0 million GF over the biennium to cover projected first year increases in the Criminal Fund; \$7.9 million GF and 46 new positions to strengthen the Magistrate System; \$2.0 million GF for additional waivers for court-appointed counsel in serious juvenile cases; and, \$800,000 GF and five positions for foreign language interpreters.

General Government. Proposed changes for Administration agencies include: \$29.7 million in new funding in the Compensation Board for additional jail per diems; \$20.5 million for additional staffing for new jails; and, \$6.0 million GF to reimburse localities and regional jails for increased retirement costs from providing enhanced retirement benefits to jail correctional officers under the Law Enforcement Officers Retirement System.

Savings strategies for the Compensation Board includes \$5.6 million from removing the exemption for overhead cost recovery that was provided to four jails (Northern Neck, Piedmont and Central Virginia Regional Jails and the City of Alexandria Jail), and \$3.1 million in savings by requiring localities to fund 50 percent of the liability insurance and bond premiums for constitutional officers.

For Finance agencies, proposed general fund spending includes \$21.3 million in the second year for the constitutionally-mandated deposit to the Revenue Stabilization Fund and \$198.1 million in additional debt service payments. The debt service includes \$139.4 million for currently authorized but not yet issued bond projects; \$42.2 million for the Governor's proposed capital bond package; \$12.9 million for equipment purchases under the Higher Education Equipment Trust Fund (HEETF); and \$3.4 million for an expansion of the HEETF allocations to support the higher education research package.

Savings amendments within the secretariat include a reduction of \$15.9 million GF in Department of Accounts Transfer payments to localities from the wine tax and alcoholic beverage control profits by limiting these transfer payments to towns and \$1.3 million GF in savings at the Department of Taxation from changes in the rate structure for services provided by the Virginia Information Technologies Agency.

Compensation. The proposed budget provides \$171.0 million for increased employee compensation and benefit cost increases, including \$122.0 million to support a 3.0 percent salary increase effective July 1, 2009 for state classified employees, faculty, and state-supported local employees; \$33.9 million for the increased cost of state employee health insurance; \$12.3 million for increases in the cost of VRS retirement rates; and, \$2.8 million for increases in the cost of providing Workers' Compensation insurance for state employees.

Agriculture and Forestry. The proposed biennial budget for the Agriculture and Forestry secretariat includes \$11.1 million in net additional general fund dollars over the adjusted base budget. The largest spending item is \$3.0 million GF each year to provide a state match for local purchase of development rights programs. A total of \$3.7 million in GF savings is generated by continuing the reductions at VDACS and the Department of Forestry that were announced in October 2007.

Also included is a proposal to transfer the functions of the Department of Charitable Gaming and to shift 30 positions and \$2.6 million GF each year into VDACS' Office of Consumer Services.

Commerce and Trade. The Governor's proposed budget for Commerce and Trade includes an increase of \$60.9 million GF and a reduction of \$68.4 million NGF compared to the adjusted appropriation for current operations. The largest increase is approximately \$57.1 million GF provided to the Secretary of Commerce and Trade for economic development activities that had been previously included in Central Appropriations. Included in this appropriation is \$37.9 million in semiconductor manufacturing incentive grants payments, \$15.1 million for the Governor's Development Opportunity Fund, and funding for the provisions of the Virginia Investment Partnership Act and the Governor's Motion Picture Opportunity Fund.

The Governor's proposed budget also includes \$7.0 million, representing the final payments to SRI International for locating in the Shenandoah Valley, and \$10.7 million to Rolls-Royce for locating its aerospace engineering and manufacturing center in Prince George County, as part of a larger 20-year \$100 million incentive package.

Finally, the Governor's budget proposes \$2.5 million NGF each year for the Virginia Tourism Enhancement Fund administered by the Virginia Tourism Authority generated by a continuation of the additional \$1.00 annual fee on vehicle registrations previously levied to support the 400th anniversary of the Jamestown Settlement.

Natural Resources. Proposed general fund spending for the Natural Resources agencies include: \$6.0 million for implementation of agricultural best management practices; \$6.0 million for combined sewer overflow projects; \$2.0 million for improving the safety of dams; \$1.9 million in additional operating support for the Virginia Outdoors Foundation; \$1.5 million to address state park operating needs; and, \$1.2 million to match federal funds for the Water Facilities Revolving Fund. Also included is a proposal to merge the Chippokes Plantation Farm Foundation into the Department of Conservation and Recreation.

The proposed amendments also include the addition of \$19.0 million NGF for the biennium. This additional nongeneral fund spending includes \$9.0 million in Water Quality Improvement Fund (WQIF) point source interest and \$5.0 million from the WQIF reserve fund for controlling nonpoint source pollution, \$3.6 million in federal funds for the Water Facilities Revolving Fund, and \$1.4 million in additional stormwater management program revenues.

Public Safety. The proposed budget for Public Safety results in a net increase of \$37.6 million GF when compared to the adjusted base budget. For the Department of Corrections, the proposed budget includes an additional \$23.8 million GF for the biennium for inmate medical costs, along with a series of amendments designed to enhance offender reentry programs and provide specialized programs for technical probation violators, with the aim of reducing the level of recidivism. Language amendments propose to authorize the direct placement of technical violators in state detention or diversion centers by probation officers, and to authorize a new program in which the courts could reduce time spent in prison

by selected offenders who complete an intensive, prison-based treatment program. Other language amendments provide for the continuation of planning for the new prison in Charlotte County and an engineering study to compare the benefits and costs of renovating versus replacement of Powhatan Correctional Center.

A series of proposed amendments for the Department of State Police total \$20.8 million NGF over the biennium from the OxyContin settlement to replace and upgrade criminal justice computer systems, to augment the State Agencies Radio System (STARS), and to equip a new computer forensic laboratory.

Technology. The Governor's proposed budget for the Office of Technology includes \$9.4 million in additional general fund dollars. The budget includes \$9.4 million to remove the assumed operational efficiency savings for the Virginia Information Technologies Agency (VITA). The budget also reduces VITA's NGF by \$108.0 million over the biennium from transferring the Emergency-911 program from VITA to the Department of Emergency Management and transferring information technology procurement from VITA to the Department of General Services.

Transportation. The budget, as introduced, provides a total of \$9.9 billion for Transportation agencies, which includes \$262.0 million GF and \$9.6 billion NGF for the biennium. This represents an increase of \$618.4 million over the approved budget for the 2006-08 biennium.

The majority of the adjustments reflect new transportation revenues provided through HB 3202, which was passed by the 2007 General Assembly. The budget recommended for the Department of Transportation includes an additional \$399.5 million NGF from the increased registration fee on vehicles, increased tax rate on diesel fuel and fees on abusive drivers and overweight vehicles. Also included in VDOT is an additional \$281.1 million NGF from the transfer of one third of insurance premiums tax revenues to the Transportation Trust Fund. Included in the Department of Rail and Public Transportation is an increase of \$87.6 million NGF, reflecting the portion of the recordation tax transferred to the Mass Transit Fund pursuant to legislation adopted by the 2007 General Assembly.

The introduced budget also proposes merging the Motor Vehicle Dealer Board and the Board for Towing and Recovery operations under the Department of Motor Vehicles. In other actions at the Department of Motor Vehicles, the Governor proposes a number of nongeneral fund adjustments to cover DMV's operational costs. These include a proposal to increase the driver's licensing fee by \$10.00, authorizing DMV to recover their costs from the collection of vehicle titling tax, and the retention of \$2.5 million each year from the continuation of the \$1.00 additional vehicle registration fee ("Jamestown fee"). In total, these proposals generate \$39.7 million in additional revenue to support the operations of DMV over the biennium.

Independent Agencies. The Governor's introduced budget for Independent Agencies includes \$40.8 million additional nongeneral fund appropriations for the agencies. The budget increases the State Corporation Commission's budget by \$18.8 million NGF to reflect higher projections for the uninsured motorist fund. It also provides \$12.9 million NGF to the Virginia Retirement System (VRS) for a VRS modernization project and \$6.5 million NGF to move the administration of certain investment assets from external fund managers to in-house staff. In addition to these amendments, an adjustment to the base budget for the Virginia College Savings Plan provides \$75.0 million in additional NGF to reflect estimated payments from the fund in the 2008-2010 biennium.

Capital Outlay. The budget proposes over \$1.9 billion in capital outlay funding. Of this amount, \$54.0 million is from general funds, largely for the Maintenance Reserve program. Projects totaling

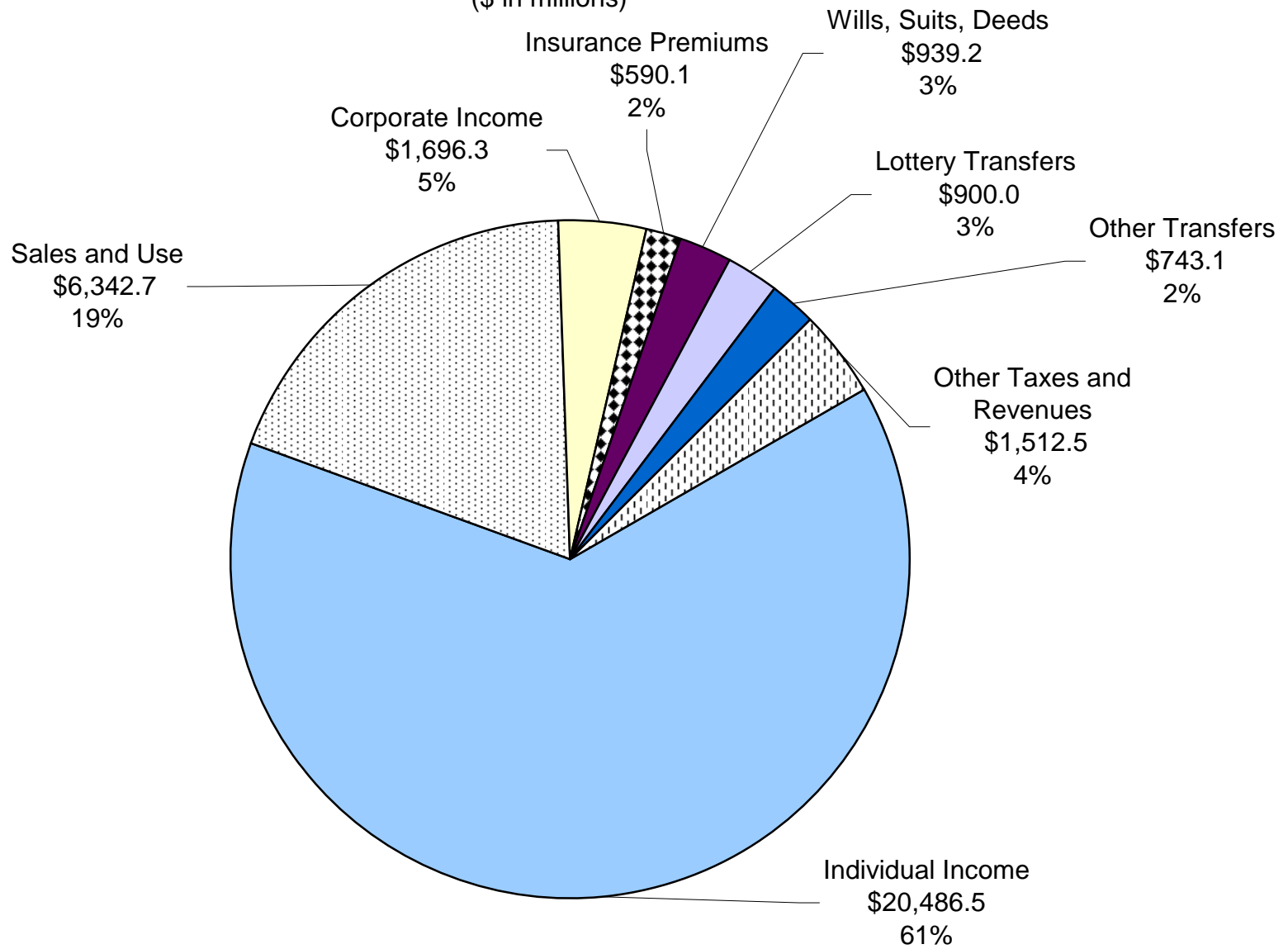
\$707.8 million are recommended at a variety of state agencies, to be funded with bonds issued by the Virginia College Building Authority and the Virginia Public Building Authority. Proposed bond-supported projects include \$555.8 million for new construction and renovation projects, \$61.4 million to provide equipment for buildings scheduled to be completed during the biennium, \$58.6 for property and easement acquisitions, and \$32.0 million for cost overruns on previously approved projects.

The budget also includes funding for revenue generating projects totaling \$984.6 million. Finally, the proposed budget includes \$155.0 million for projects at the Virginia Port Authority.

The capital program also includes separate legislation to issue \$1.5 billion in 9(b) general obligation bonds for new construction and renovation projects primarily at colleges and universities. This will require voter approval.

2008-2010 General Fund Revenues = \$35,978.6

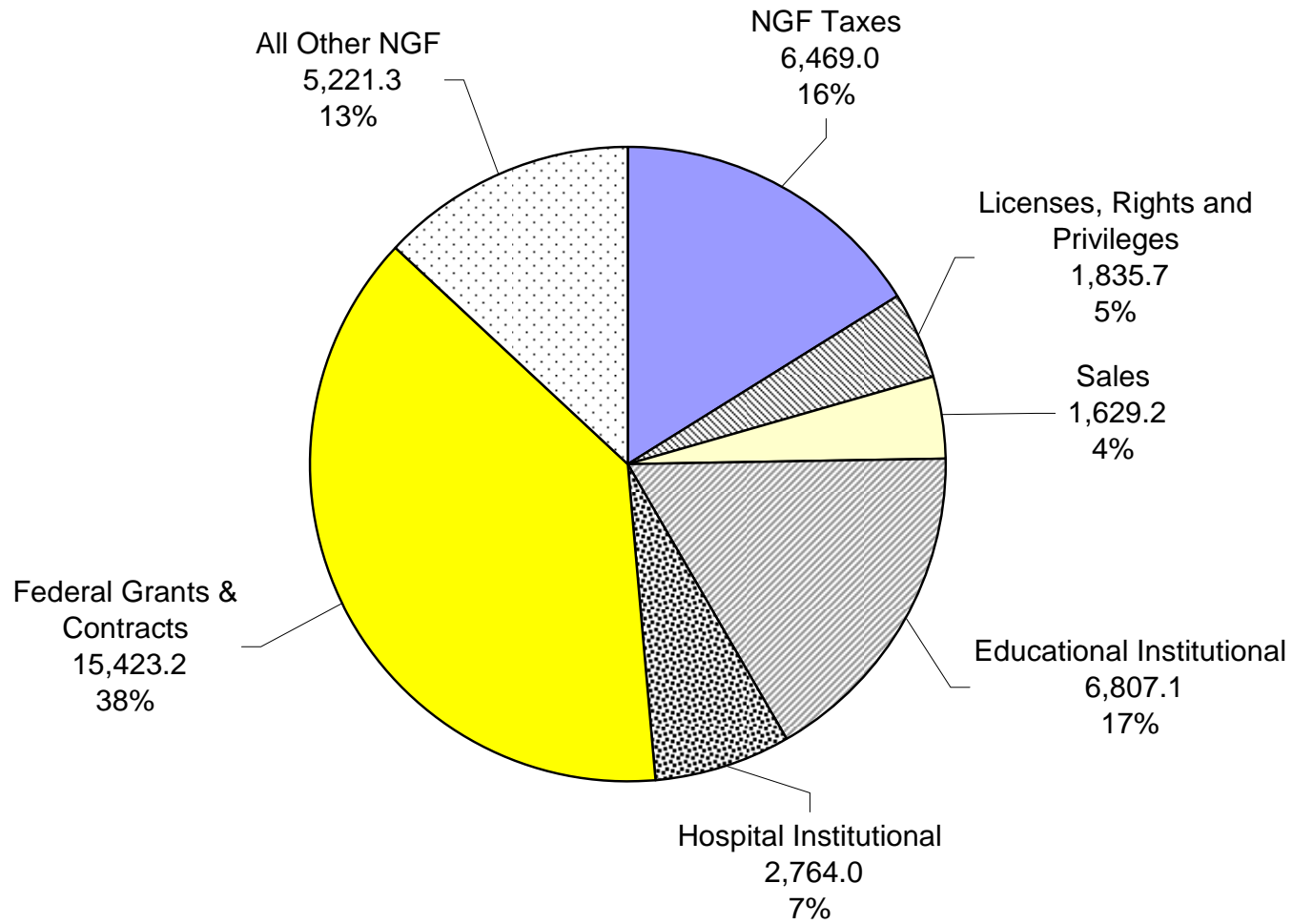
HB/SB30, as Introduced
(\$ in millions)



2008-2010 Nongeneral Fund Revenues = \$40,149.8

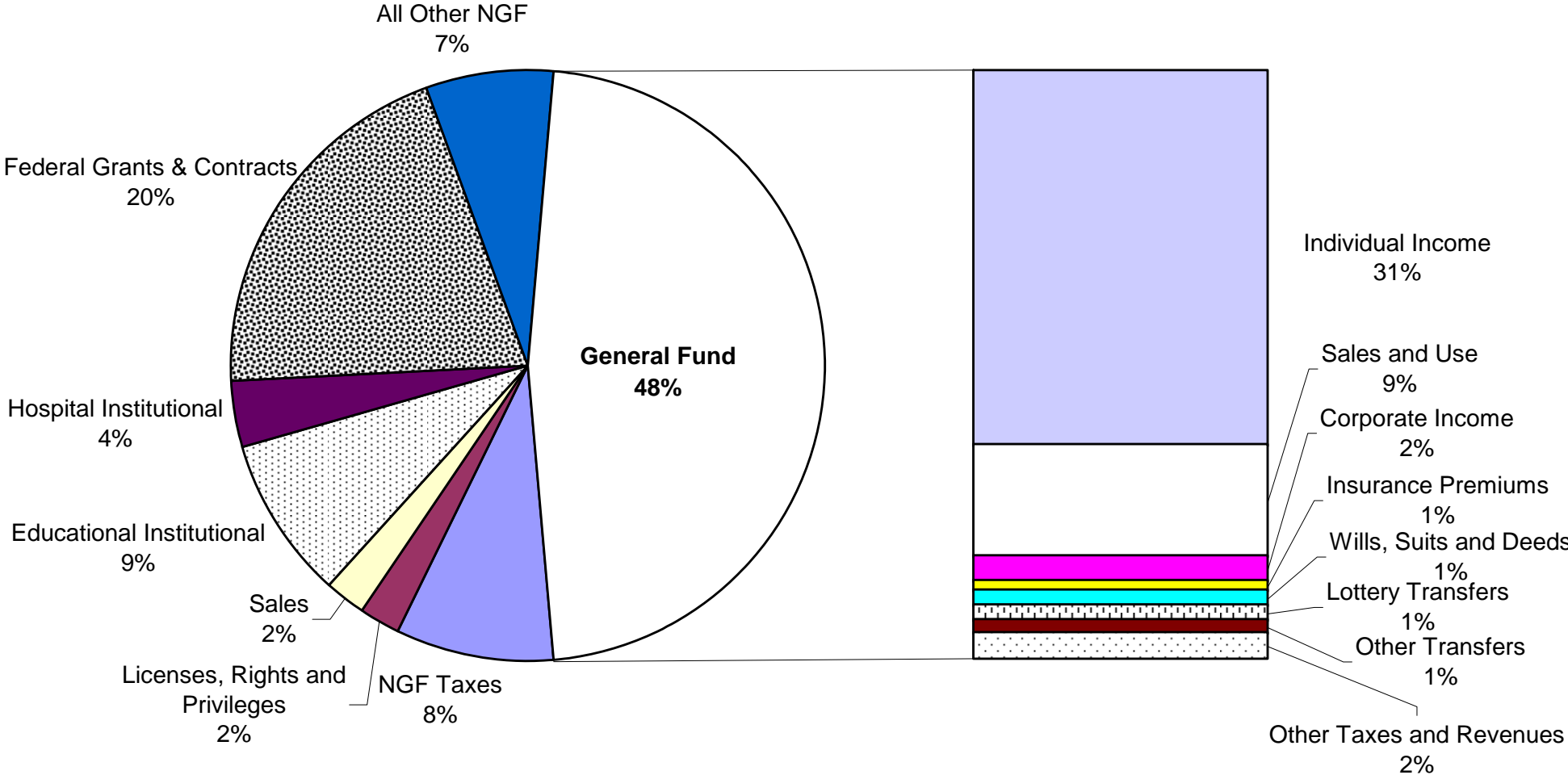
HB/SB30, as Introduced

(\$ in millions)



2008-2010 Total Revenues = \$76,128.0

HB/SB30, as Introduced
(\$ in millions)



Proposed 2008-2010 GF Operating Budget = \$36,120.3

HB/SB30, as Introduced

(\$ in millions)

