

Overview of Proposed Amendments to the 2010-12 Budget

The budget as introduced reflects upward adjustments to general fund revenues of \$408.9 million above the forecast adopted in Chapter 874 of the 2010 Acts of Assembly. This additional revenue growth suggests an apparent strengthening in Virginia's economy, as reflected by the performance of payroll withholding and sales tax collections. The Governor's budget proposal includes several tax policy changes related to conformity with federal tax law; proposed legislation to provide economic development incentives; and, downward adjustments to assumed interest earnings and the sale of surplus property. After these adjustments are made, net new general fund revenues available for appropriation total \$283.0 million over the biennium.

In addition to the revenue adjustments, the introduced budget contains a net increase of \$112.9 million in balance and transfer adjustments. These adjustments reflect the FY 2010 surplus revenue and the reversion of FY 2010 agency unexpended balances; the sale of surplus property (an ABC regional office in Alexandria and the sale of two state police helicopters); and, the transfer of additional nongeneral fund cash balances. Adjustments to balances also reflect the partial restoration of funding to state agencies for the increase in contribution rates payable to the Virginia Retirement System. This action lowers the projected reversion of state agency balances that would be generated through lower VRS contribution rates, as assumed in Chapter 874.

The budget as introduced also proposes \$512.0 million in targeted savings and technical budget reductions attributable to enrollment and utilization changes. These proposed budget savings, when combined with the additional general fund resources of \$395.9 million (general fund revenues plus balances and transfers), result in approximately \$900.0 million available to fund a like amount of proposed spending.

The Governor's general fund budget priorities center on six areas: (1) investment in higher education; (2) restoring funding for the Virginia Retirement System through higher contribution rates; (3) reprogramming unexpended agency balances to transportation; (4) expanding funding for economic development programs and incentives; (5) funding for technology costs incurred through the Virginia Information Technologies Agencies (VITA); and, (6) additional funding for Medicaid utilization. The budget as introduced leaves an unappropriated balance of \$4.1 million, up from the \$2.9 million in Chapter 874 as adopted.

The budget, as introduced, also includes three proposed policy changes to language in the budget:

- Removes language requiring the mandatory carryover of unexpended general fund and nongeneral fund balances in executive branch agencies. Language pertaining to legislative agencies, judicial agencies, and institutions of higher education is excluded.

- Proposes that the \$50 million in FY 2012 set aside in Chapter 874 for payment to the Revenue Stabilization Fund which is due in FY 2013 may also be used to address unfunded federal mandates or natural disasters.
- Provides a 2 percent employee bonus effective December 1, 2011, contingent upon state agencies saving FY 2011 year-end general fund balances of at least twice the amount required to fund the bonus.

Proposed Budget Savings

Targeted spending reductions in the introduced budget include:

- \$99.9 million GF by requiring existing state employees (Plan 1 Employees) to pay the 5 percent employee retirement contribution;
- \$57.6 million GF to eliminate funding provided for a partial “hold harmless” payment due to changes in the K-12 public education Composite Index in FY 2012;
- \$31.8 million GF from revised debt service payments; and
- \$18.2 million GF from adding pharmacy drug rebates to Medicaid managed care.

Major proposed general fund savings actions are highlighted in the table below.

**Major Spending Reductions Proposed in
HB 1500/ SB 800 as Introduced**
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Administration		
Compensation Board		
Recover 100% of Liability Insurance and Surety Bond Premiums	-	(\$1.7)
Commerce and Trade		
Economic Development Incentives		
Remove Funding for Ignite Institute and Osage Re-estimate	-	(\$5.8)
Education		
Secretary of Education		
Public Broadcasting: First Year of Two-Year Phase Out	-	(\$2.1)
Department of Education (DOE), Central Office Operations		
Transfer PALS & Algebra Readiness Testing to NGF	(\$0.4)	(\$0.8)
Direct Aid to Public Education		
Reprogram Compensation Index Hold Harmless to VRS Costs	-	(\$57.6)
Update SOQ Accounts for September 30th Membership & ADM	(17.3)	(26.0)
Transfer Portion of FY 2011 Composite Index Hold Harmless & FY 2012 Textbooks to Lottery	(19.8)	(13.2)
Update Costs for Composite Index Hold Harmless	(8.4)	-
Update Incentive & Categorical Accounts	(4.1)	(3.9)
Adjust GF for Revised Increase in Literary Fund Forecast	-	(2.0)
Finance		
Department of Taxation		
Decrease Reliance on IT Contractors	(\$0.3)	(\$1.0)
Reduce Disaster Recovery Expenditures	-	(0.8)
Treasury Board		
Adjust Funding for Debt Service Payments	(\$11.6)	(\$20.2)
Health and Human Resources		
Comprehensive Services Act for At-Risk Youth and Families		
Increase Local Match Rate for Therapeutic Foster Care Services	-	(\$7.5)
Eliminate Funding for Services for Non-mandated Children	-	(5.0)
Equalize Local Match Rate for Services Provided in Public Schools	-	(3.9)
Projected Funding for Children Served in Parental Agreements	(1.0)	-
Department of Health		
Agency-wide Restrictions on Discretionary Spending, Travel, Hiring	(\$1.5)	(\$1.5)
Reduce GF Support in State Health Services Program	-	(1.0)
Department of Medical Assistance Services		
Adjust GF for Medicaid Utilization and Inflation	(\$87.6)	-
Additional Pharmacy Rebates Applied to Managed Care Plans	(12.5)	(5.6)
Reflect Enhanced FMAP for State MH/ID Facilities and CSA	(11.4)	-
Federal Bonus for New CHIPRA Enrollment Initiatives	-	(9.4)
Adjust GF for FAMIS Utilization and Inflation	(9.4)	-
Implement a Provider Tax on ICF-MR Facilities	-	(8.5)

**Major Spending Reductions Proposed in
HB 1500/ SB 800 as Introduced (Cont'd)**
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Enrollment and Cost Projections for Medicaid SCHIP Children	(3.2)	(4.7)
Require Independent Assessments for Children's Community Mental Health	-	(6.3)
Expand Medicaid Care Coordination	-	(3.4)
Reduce Nursing Home Capital Reimbursement from 8.5% to 8.0%	-	(2.4)
Reduce Pharmacy Drug Acquisition Costs from AWP minus 13.1% to AWP minus 17.43%	-	(1.4)
Revised Spending Projections for Involuntary Mental Commitment	(0.9)	(0.8)
Department of Social Services		
Supplant GF with Federal Child Care Block Grant Funds for At-Risk Child Care Subsidies	-	(\$8.0)
Supplant GF with TANF for Employment Services	-	(3.0)
Supplant GF with TANF for Healthy Families	-	(2.4)
Supplant GF with TANF for Domestic Violence Program	-	(1.2)
Reduce Administrative Spending by 7.7%	-	(1.0)
Revised Spending Projections for the Auxiliary Grant Program	(0.5)	(0.5)
Public Safety		
Department of Correctional Education		
Transfer Positions to Corrections	-	(\$1.8)
Department of State Police		
Adjustments to Fund STARS and Trooper Schools	(\$0.7)	-
Central Appropriations		
Require Plan 1 Employees to Pay Share of Retirement	-	(\$99.9)
Reduce Employer ORP Contributions - Plan 1	-	(7.1)
Grand Total	(\$190.6)	(\$321.4)

Proposed Spending

Proposed spending amendments for the 2010-12 biennium include funding for programs driven by caseload increases as well as discretionary spending items:

- \$150.0 million GF to fund a proposed Virginia Transportation Infrastructure Bank;
- \$66.9 million GF for a 3 percent salary increase for state employees to partially offset reinstatement of the employee VRS retirement contribution;
- \$69.5 million GF to address the increased cost to Medicaid from increased utilization and inflation;

- \$58.2 million GF for increased information technology costs;
- \$53.2 million GF for the state share of public school teacher retirement contributions;
- \$50.0 million GF to fund initiatives of the Governor’s Commission on Higher Education Reform, Innovation, and Investment;
- \$25.0 million GF to establish the Virginia Research and Technology Investment Fund as part of a proposed \$54.3 million GF economic development package of incentives and tax credits; and
- \$24.4 million GF to address the cost of increased projections of civilly committed sexually violent predators.

Major proposed general fund spending items are highlighted in the table below.

Major Spending Increases Proposed in HB 1500/SB 800 as Introduced (GF \$ in millions)		
	<u>FY 2011</u>	<u>FY 2012</u>
Judicial Department		
General District & Juvenile Courts		
Increase Funding for the Criminal Fund	\$5.4	\$5.4
Increase Funding to Reduce Judicial Vacancies	-	1.7
Administration		
Compensation Board		
Restore Sheriffs' Funding	\$8.3	\$8.3
Provide Funding for Jail Per Diems	7.4	-
Funding to Staff Jail Expansions	-	1.3
Commerce and Trade		
Economic Development Incentive Payments		
VA Research and Technology Fund	-	\$25.0
BRAC/Oceana Funding	-	7.5
Increase in VA Investment Partnership and Micron Phase 3 Grants	-	2.4
Motion Picture Opportunity Fund	-	2.0
Department of Business Assistance		
Recapitalize VSBFA Loan Programs	-	\$5.0
Establish Tourism Micro Loan Fund	-	2.0
Department of Housing and Community Development		
Fund Industrial Site Development Program	-	\$4.0
Fort Monroe Authority Operational Funding	-	1.9
Increase Enterprise Zone Funding	-	1.0

**Major Spending Increases Proposed in
HB 1500/SB 800 as Introduced (Cont'd)**
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Department of Mines, Minerals and Energy		
Provide Pass-Through Funding for Dominion Rebate	\$0.9	-
Restore Agency Reductions and Fund Incentive Grants	-	1.1
Virginia Economic Development Partnership		
Regional Collaboration Initiative, Restore Cuts and VCSFA	-	\$1.5
Virginia Employment Commission		
Provide GF for Interest on Federal Loans	-	\$8.9
Virginia Tourism Authority		
Expand Tourism Partnership Grant Fund	-	\$1.0
Fund OpSail 2012	-	1.0
Education		
Secretary of Education		
Provide Incentive Grants for College Lab Schools	-	\$0.6
Direct Aid (DA) to Public Education		
Increase Teacher Employer VRS Rate by 2.0%	-	\$53.2
Sales Tax Revenue Forecast Net Adjustment	19.5	21.0
Increase GF to Offset ARRA Transfer to Higher Education	3.4	-
Pilot Pay for Performance Program in Hard-to-Staff Schools	-	3.0
Adjust GF for Revised Decrease in Literary Fund Forecast	2.0	-
Higher Education		
Colleges and Universities		
Higher Education Access and Affordability Initiative	-	\$50.0
Higher Education Interest Earnings	-	7.9
ODU Base Operating Support	-	5.0
VCU Massey Cancer Center	-	5.0
VCCS Workforce Development	-	3.0
UMW Dahlgren Center	-	1.0
Affiliated Institutions and Higher Education Centers		
EVMS Operating Support	-	\$5.0
SCHEV-Tuition Assistance Grants	-	2.5
VT Extension	-	0.5
VSU Agriculture and Extension	-	0.5
Southwest Virginia Higher Education Center Retention Pond Repair	-	0.3
Finance		
Department of Taxation		
Funding for Increased Rent for New Processing Facility	-	\$1.0

**Major Spending Increases Proposed in
HB 1500/SB 800 as Introduced (Cont'd)**
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Treasury Board		
Debt Service Requirements	-	\$10.5
Health and Human Resources		
Secretary of Health and Human Resources		
Fund Operational and Program Review of HHR Agencies	-	\$1.4
Department of Health		
Fund Shortfall in AIDS Drug Assistance Program	\$3.6	\$3.6
Restore GF for Marina Program, Shellfish Sanitation Program and Office of the Chief Medical Examiner	-	2.7
Expand Abstinence Education & Plan First Family Planning Waiver Program.	-	0.9
Fund Operation Smile Headquarters	-	0.5
Department of Medical Assistance Services		
Medicaid Forecast of Utilization and Inflation	-	\$157.1
Adjust Funding for the Health Care Fund	10.0	0.3
Add 275 Intellectual Disability Waiver Slots	-	9.8
FAMIS Enrollment and Cost Increases	-	9.7
Mitigate Nursing Facility Operating Rate Reduction	-	5.0
Fund Implementation Costs of Federal Health Care Reform	1.6	4.5
Fund Mandatory Updates to the Medicaid Management Information System	0.5	0.6
Enhance Funding for King's Daughters Children's Hospital	-	1.0
Outsource Medicaid Call Center	0.2	0.5
Fund Costs to Handle Increased Appeals and Audit Recoveries	-	0.7
Department of Behavioral Health and Developmental Services		
Address Growth in Civil Commitments of Sexually Violent Predators	-	\$24.4
Increase Staffing at Intellectual Disability Training Centers	-	7.1
GF for Loss of Medicaid for Hancock Geriatric/Add 8 FTEs	5.4	-
Crisis Intervention for Individual with Co-occurring Disorders	-	5.0
Expand Crisis Stabilization Services Statewide	-	4.0
Fund Community Services for ESH Discharges/Diversions	-	2.4
Restore Funding for SWVMHI Geriatric Unit	-	2.0
Add Positions for Licensing, Community Transitions, Electronic Health Records, Medical Director	-	1.4
Increase Funds to Meet Projections for SVP Conditional Release	-	0.6
Department of Rehabilitative Services		
Fund Medicaid Match for Disability Determinations	\$0.2	\$0.2
Department of Social Services		
Fund Shortfall in Child Support Enforcement Operations	\$2.8	\$10.7
Fund Projections for Unemployed Parent Benefit Program	-	2.6

**Major Spending Increases Proposed in
HB 1500/SB 800 as Introduced (Cont'd)**
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Restore Auxiliary Grant Rates per Federal Health Reform	-	2.4
Projected Caseload Changes in Adoption Subsidies	1.3	-
Add Funds for Federation of Virginia Food Banks	-	0.5
Department for the Blind and Vision Impaired		
Increase GF Match for Federal Vocational Rehabilitation Program	\$1.0	\$1.0
Natural Resources		
Department of Conservation and Recreation		
Provide for WQIF Deposit	\$32.8	-
Provide Funding for Land Conservation	-	2.0
Department of Environmental Quality		
Provide for WQIF Deposit	\$3.6	-
Public Safety		
Department of Corrections		
Increase Funding for Inmate Medical Care	-	\$8.1
Provide Additional Probation and Parole Officers	-	2.2
Transfer of Positions from Correctional Education	-	1.8
Department of State Police		
Increase Funding for STARS and New Trooper Schools	-	\$5.9
Department of Veterans Affairs		
Provide Additional Funding for Cemetery Operations	-	\$0.4
Technology		
Virginia Information Technologies Agency		
Eliminate Double-counted Operational Efficiency Savings	-	\$1.0
Transportation		
Virginia Department of Transportation		
Provide GF for VA Transportation Infrastructure Bank	\$150.0	-
Central Appropriations		
Central Appropriations		
3.0% Salary Increase to Offset Employee VRS Contribution	-	\$66.9
Funding for VITA Rate Increases	28.1	30.2
Capital Outlay		
VCU Property Acquisition	-	\$3.3
Grand Total	\$288.0	\$635.4

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

Public Education. Proposed amendments for public education eliminate \$57.6 million GF in FY 2012 for the one-time 50 percent “hold harmless” funding for school divisions whose Composite Index increased from last biennium. These funds are re-programmed to support the state’s share of a 2 percent increase in employer VRS contribution rates and \$3.0 million GF for a new pilot for performance pay for teachers in hard-to-staff schools. In addition, proposed language mandates new employees to pay the 5 percent member contribution and allows school boards to re-impose on their current employees the 5 percent member contribution only if at least a 3 percent salary increase is provided at the same time.

Other proposed actions include: a net \$40.5 million GF increase due to revised sales tax projections; a \$43.2 million GF decrease due to lower enrollment growth; a \$33.0 million GF decrease due to updates to Lottery-funded programs which freed up more Lottery proceeds for other education program costs; and an \$8.4 million GF decrease in FY 2011 reflecting an update to the calculation that was not made when the budget was adopted during the 2010 session, along with the Governor’s proposed adjustments that reflect updates in actual ADM and sales tax revenues.

In the Secretary of Education’s Office, the proposed amendments reduce state funding for public broadcasting by a total of \$2.1 million GF in FY 2012, a 50 percent reduction from the current appropriation, with the intention of eliminating state support beginning with the next biennium; and add \$600,000 GF for institutions of higher education to plan for the development of “College Partnership Laboratory Schools.”

Higher Education. Proposed amendments in higher education result in an increase of \$216,501 GF in FY 2011 and \$80.2 million GF in FY 2012. In FY 2012, this increase includes \$50.0 million GF in Central Accounts to address access, affordability, increased use of technology and STEM (Science, Technology, Engineering and Mathematics) program initiatives that are proposed by the Governor’s Commission on Higher Education Reform, Innovation, and Investment. The funding is not appropriated by institution but language would allow institutions to apply for funding through a grant process. Likewise, the \$10.0 million GF reduction to higher education approved for FY 2012 during the 2010 Session remains in Central Accounts and has not been distributed to individual institutions. Additional funding of \$5.0 million each is proposed for Old Dominion University, Virginia Commonwealth University and Eastern Virginia Medical School to address various initiatives. Funding of \$3.0 million is proposed for workforce development programs at the Virginia Community College System. The budget also recommends providing an additional \$2.5 million GF for the tuition assistance grant (TAG) program in FY 2012.

Health and Human Resources. Most of the proposed new spending in HHR can be attributed to mandated programs such as Medicaid, which requires the addition of \$65.4 million from the general fund to address slightly higher caseloads and costs than anticipated. Additional high priority spending within the proposed budget includes \$24.9 million for growth in civil commitments of sexually violent predators. Other high priority spending

includes \$11.4 million GF for community-based mental health services, \$9.8 million GF to add 275 intellectual disability waiver slots, and \$9.5 million GF for state mental health and intellectual disability training centers.

Budget reductions strategies are spread across most HHR agencies. Some of the larger general fund reductions include \$18.2 million by applying drug rebates to drugs dispensed through managed care organizations, \$11.4 million to adjust the appropriation in FY 2011 for enhanced FMAP funding, \$9.0 million from a federal bonus related to the enrollment of children in Medicaid and FAMIS, \$8.5 million to implement a provider tax for intermediate care facilities for people with intellectual disabilities and \$14.8 million by supplementing general fund monies with other nongeneral fund resources, primarily TANF.

Public Safety. The largest increase in the Department of Corrections (DOC) provides \$8.1 million GF and 18 positions to address the fast-growing cost of inmate health care, along with language calling for continued study of ways to slow the growth in costs. Funding of \$2.2 million GF and \$1.0 million NGF from the Drug Offender Assessment Fund is proposed to add 45 new probation officers and related positions, based on the recently-adopted DOC prisoner reentry plan. Higher than expected utilization of beds under contract at the Green Rock Correctional Center for Pennsylvania inmates has resulted in an additional \$3.0 million in NGF revenues, half of which is allocated to DOC for an automated medical records system and the other half transferred to the general fund. For the Department of Military Affairs, \$2.4 million from federal funds is directed towards energy improvements at National Guard armories. The proposed budget for the Department of State Police includes \$5.9 million GF the second year to accelerate the opening dates for the 116th, 117th and 118th Basic Trooper Schools and to maintain the State Agencies Radio System (STARS). Capital outlay language is added to improve the Salem Veterans Care Center and authorize the Department of Veterans Services to apply for federal grant funding to build a new \$30.0 million veterans care center in Southwest Virginia, for which the state share will be \$10.5 million.

State Employee Compensation. Proposed amendments to the 2010-12 biennial appropriation include a reduction of \$99.9 million GF by requiring that state employees hired before July 1, 2010 pay the 5 percent employee share of VRS contribution rates. To help mitigate the impact of this action, \$66.9 million is provided for a 3 percent salary adjustment for these effected employees, which will result in a net reduction of 2.3 percent in base cash compensation. Amendments also propose lowering the employer contribution rate for optional retirement plans for state employees hired before July 1, 2010 from 10.4 percent to 8.5 percent, resulting in a general fund savings of \$7.1 million in FY 2012.

In addition, the Governor proposes increasing the employer contribution rate to the VRS by 4 percent in FY 2012 by restoring \$122.9 million in funding to state agencies. This action lowers the projected reversion of state agency balances that would have been generated through lower VRS contribution rates assumed in Chapter 874.

Finally a contingent, one-time 2 percent bonus would be paid to most state employees if agencies generate year-end balances of at least twice the cost of the proposed bonus (approximately \$55 million GF).

Judicial Department. Proposed amendments for Judicial agencies include \$5.4 million GF each year for projected cost increases in the Criminal Fund. In addition, the proposed budget reduces general fund savings required in the Judicial Reversion Clearing Account by \$1.7 million. Chapter 874 requires \$6.5 million in savings in FY 2012 from holding vacant judgeships open through June 30, 2012. However, that estimate now appears too high as fewer judges are retiring than assumed. With the additional funds, the required reversion in FY 2012 will be \$4.8 million. The language still requires that vacant judgeships not be filled before June 30, 2012, but a proposed modification in the language permits the Judicial Department to achieve part of the savings through actions other than not filling vacant judgeships.

Finance. Proposed amendments for the Finance secretariat include \$10.5 million GF for debt service payments on new authorizations proposed in the budget. Spending reductions include \$31.8 million GF from lower interest rates and revised debt issuance assumptions for bonds recently issued through the Virginia College Building Authority and the Virginia Public Building Authority. A net decrease of \$2.4 million GF is proposed for the Department of Taxation, and miscellaneous other reductions totaling \$1.0 million are recommended for the other Finance agencies. A language amendment proposes to allow use of all, or any portion of, the \$50.0 million appropriated in FY 2012 for the expected FY 2013 Rainy Day Fund deposit to cover the cost of unfunded federal mandates, or costs related to declared emergencies.

Administration. Proposed amendments include \$25.3 million GF for sheriffs and regional jails under the Compensation Board. The only major decrease is a reduction of \$1.7 million GF from the constitutional officers' liability insurance and surety bond premiums. The budget also proposes a reduction of \$233,428 GF in reimbursements to localities for the compensation and expenses of local electoral boards.

Technology. Proposed amendments for the Technology Secretariat include a net general fund increase of \$719,634 and a nongeneral fund reduction of \$3.2 million. General fund reductions, including canceling a contract for federal advocacy work, capturing turnover and vacancy savings, and supplanting general fund position and other costs, are offset by a general fund increase of \$1.0 million to restore reductions in overhead charges that had been double-counted during budget execution. These reductions in overhead charges were previously accounted for in the Virginia Information Technologies Agency's new internal service rates. Furthermore, the proposed amendments include eliminating unsupported nongeneral fund appropriations totaling \$1.5 million in FY 2011 and \$1.7 million in FY 2012. VITA's maximum employment level is reduced by 47 positions in the first year and 50 positions in the second year. Additionally, included within the proposed amendments for Central Appropriations is an additional \$28.1 million for FY 2011 and \$30.2 million for FY 2012 in general fund support to assist state agencies in paying for services rendered by VITA and Northrop Grumman.

Agriculture and Forestry. For the Agriculture and Forestry secretariat, proposed spending of \$1.5 million GF is mostly offset by reductions of about \$1.0 million GF. Small increases are proposed for farmland preservation, wine promotion and forestry firefighting equipment. Decreases include turnover and vacancy, transferring positions to nongeneral fund sources and other administrative savings.

Natural Resources. Most of the general fund increase in Natural Resources is attributable to the statutorily required deposit of \$36.4 million GF to the Water Quality Improvement Fund resulting from the FY 2010 year end surplus. This additional funding will be used to execute the recently drafted Watershed Implementation Plan, which was required by the U. S. Environmental Protection Agency to meet new goals for cleaning up the Chesapeake Bay.

Commerce and Trade. The majority of the proposed general fund increases for Commerce and Trade come from recommendations of the Governor's Commission on Economic Development and Job Creation. These recommendations include \$25.0 million GF for a proposed fund to encourage investment in research-based technologies. Other strategies include expanded funding to encourage small business investment, tourism promotion, motion picture production, revitalization of derelict industrial sites and investment in enterprise zones.

Other new spending includes \$8.9 million GF and \$3.0 million NGF for interest payments owed to the federal government as the result of borrowing \$941.8 million from the federal Unemployment Trust Fund to cover unemployment insurance shortfalls due to a historic number of unemployment claims over the past two years. Funding of \$7.5 million GF is proposed to continue mitigation of encroachment around Oceana Naval Air Station. Other new spending includes \$2.4 million GF due to faster than anticipated expansion of Micron, resulting in a higher semiconductor manufacturing grant payment; \$1.9 million GF for second year operation of the Fort Monroe Authority; and, \$1.1 million to restore prior budget cuts in the Economic Development Partnership and the Department of Business Assistance.

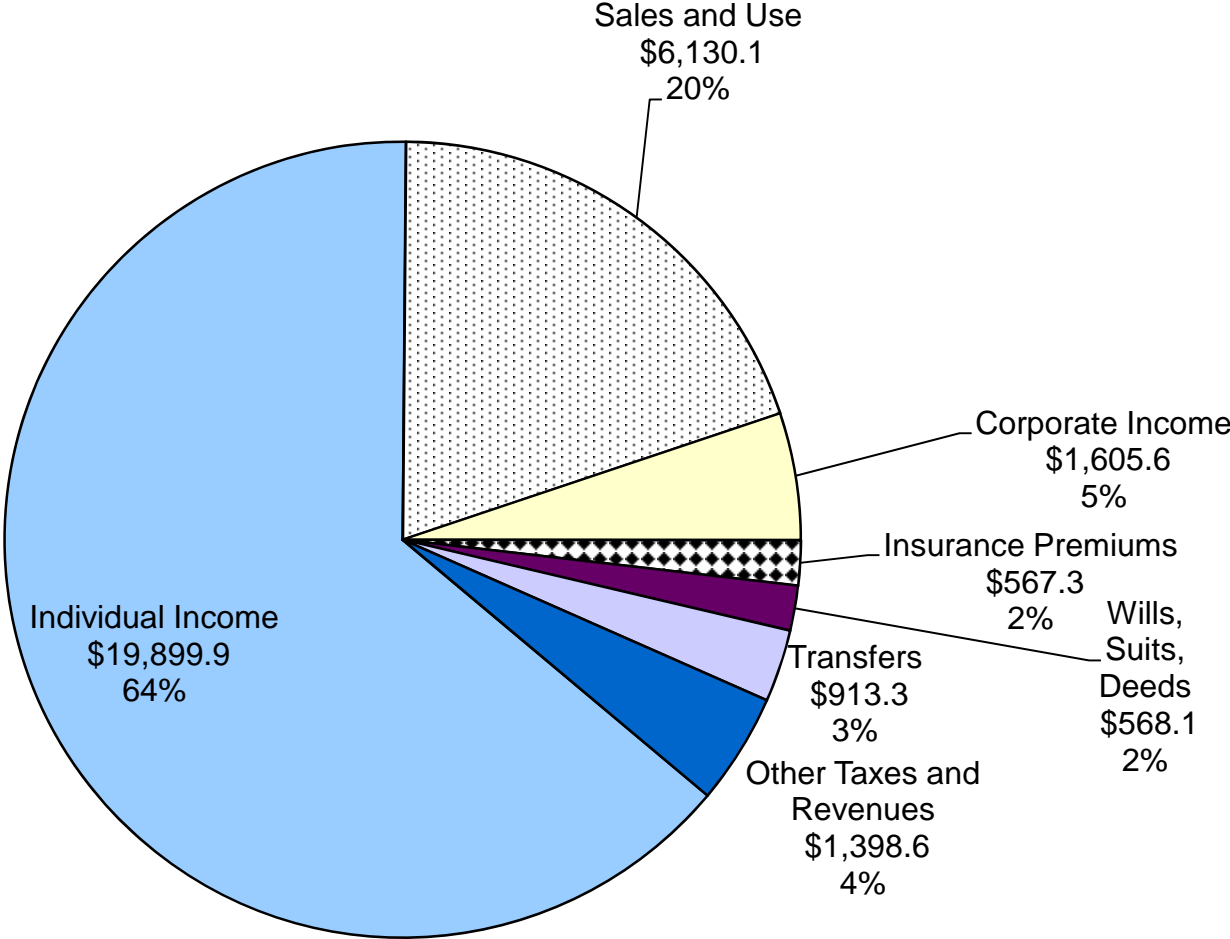
Transportation. Proposed amendments for the Transportation Secretariat include increases of \$150.0 million GF and \$560.7 million NGF. The general fund increases are derived from the FY 2010 year-end surplus as well as year-end balances the Governor chose to revert to the general fund. The majority of the nongeneral fund increases, totaling \$512.0 million, reflect adjustments to the transportation revenue forecast from an increase in the base resulting from FY 2010 revenues in excess of the forecast as well as the December 2010 reforecast of Commonwealth Transportation Fund revenues. In addition, the Virginia Port Authority appropriation is increased \$47.8 million as a result of revenues anticipated to be generated by the lease of the APM Maersk Terminal by the Virginia Port Authority.

Capital Outlay. Proposed amendments for capital projects include \$117.2 million for general fund supported projects including \$3.3 million from general fund cash, \$113.9 million from tax-supported debt. The tax-supported debt includes: \$44.5 million in VCBA bonds for equipment for buildings scheduled to be completed, \$43.5 million in VPBA bonds for a new sexually violent predator treatment facility, and \$15.9 million in VCBA and VPBA bonds for other projects. Amendments also propose \$166.3 million for nongeneral fund supported projects, mostly for auxiliary enterprise and other nongeneral fund revenue-supported projects at Virginia's public colleges and universities.

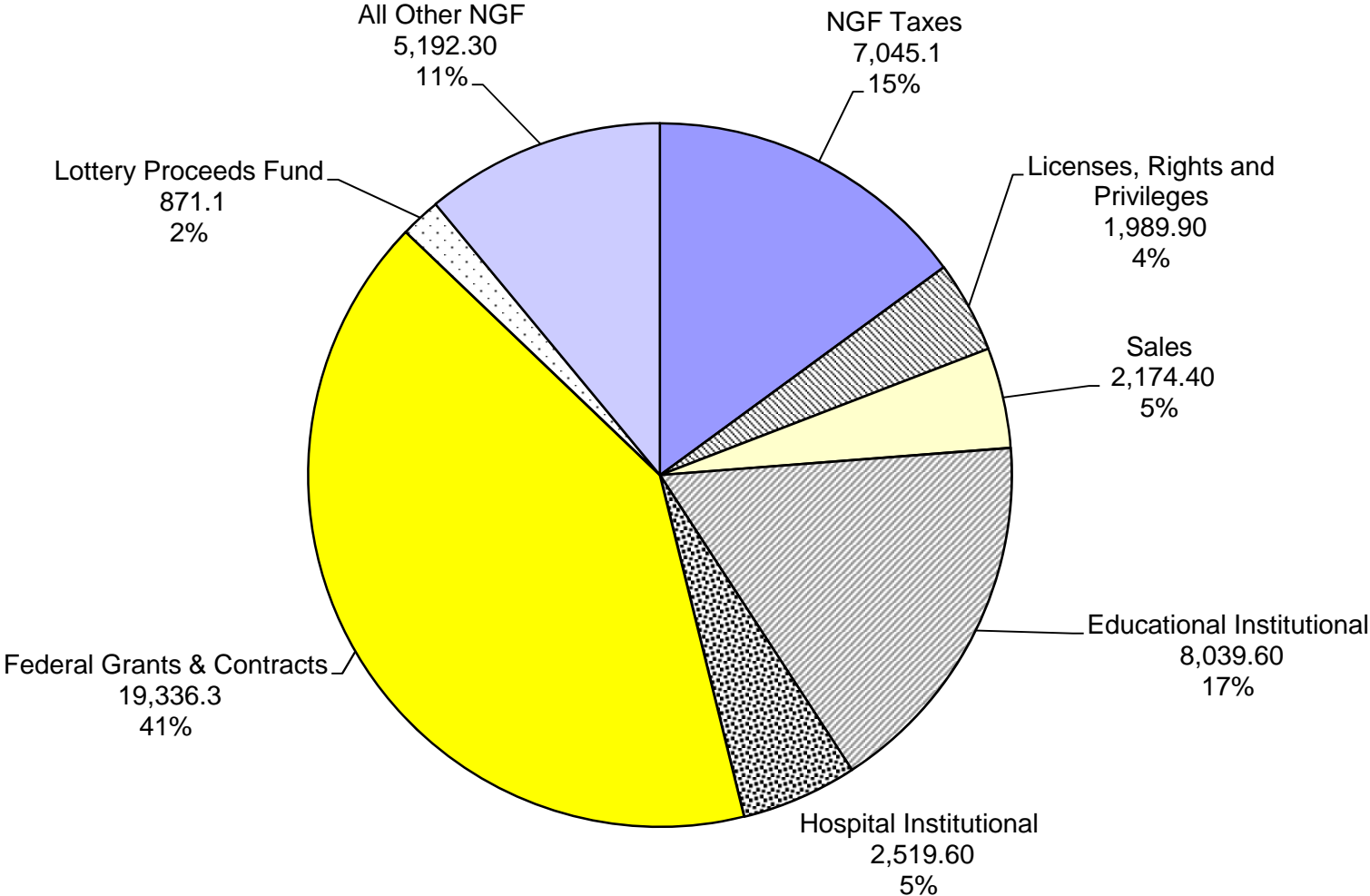
FY 2010-12 General Fund Revenues = \$31,082.9

HB 1500/SB 800, as Introduced

(\$ in millions)



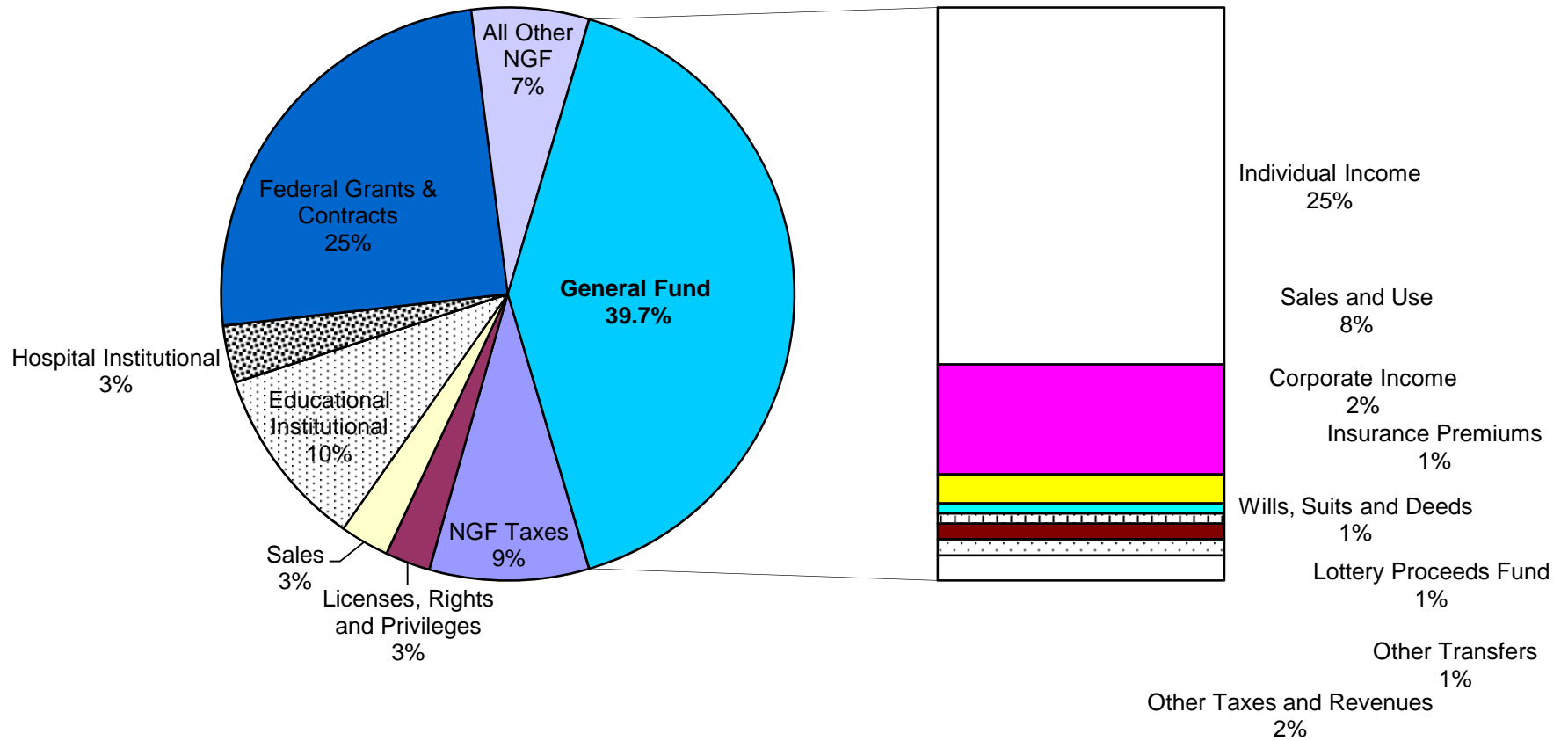
FY 2010-12 Nongeneral Fund Revenues = \$47,168.3
HB 1500/SB 800, as Introduced
(\$ in millions)



FY 2010-12 Total Revenues = \$78.240.5

HB 1500/SB 800, as Introduced

(\$ in millions)



Proposed 2010-2012 GF Operating Budget = \$31,789.6
HB 1500 and SB 800
(\$ in millions)

