

Overview of Adopted Amendments to the 2010-12 Budget

The amended budget reflects upward adjustments to general fund revenues of \$592.5 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 adopted budget includes downward adjustments for several tax policy changes related to conformity with federal tax law, legislation to provide economic development incentives, and a partial unwinding of the accelerated sales tax requirement adopted in 2010. After these adjustments are made, the net new general fund revenues available for appropriation total \$426.7 million over the biennium.

In addition to the revenue adjustments, the adopted budget contains a net increase of \$188.8 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 adopted budget also includes about \$631.4 million in targeted savings and technical budget reductions attributable to enrollment and utilization changes. These budget savings, when combined with the additional general fund resources of \$615.5 million (general fund revenues plus balances and transfers), result in approximately \$1.2 billion available to fund a like amount of approved spending. The budget as adopted leaves an unappropriated balance of \$2.1 million.

The 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) reserving funds for anticipated Rainy Day Fund deposits required in the 2012-14 biennium; (4) expanding funding for economic development programs and incentives; and, (5) additional funding for Medicaid utilization.

Budget Savings

Targeted spending reductions in the adopted budget include:

- \$92.8 million GF from requiring existing state employees (Plan 1 Employees) to pay the 5 percent employee retirement contribution;
- \$43.0 million GF in net funding allocated 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 applying pharmacy drug rebates to Medicaid managed care.

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

Major Spending Reductions Approved in Chapter 890, as Adopted		
(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		
Department of Education (DOE), Central Office Operations		
Transfer PALS & Algebra Readiness Testing to NGF	(\$0.4)	(\$0.8)
Direct Aid to Public Education		
Reprogram Composite Index Hold Harmless to \$129.62 PPA	-	(\$57.6)
Update SOQ Accts for Sept 30th Membership & ADM	(17.3)	(26.0)
Transfer Part FY11 Hold Harmless & FY12 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 Textbooks PPA from \$48.38 to \$40.56	-	(5.9)
Adjust GF for Revised Increase in Literary Fund Forecast	-	(2.0)
Update State Operated Programs Payments for Final Enrollment	(1.2)	-
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)
Technical-Adjust Out-of-State Student Capital Fee	-	(0.6)

Major Spending Reductions Approved in Chapter 890, as Adopted
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Health and Human Resources		
Comprehensive Services Act for At-Risk Youth and Families		
Equalize Match Rate for all Services Provided in Public Schools	-	(\$3.9)
Recover Excess Funding for 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		
Savings from Suspending Medicaid Payment Delays in FY 2011	-	(\$131.6)
Reduce Funding for Medicaid Utilization and Inflation	(87.6)	-
Account for Additional Pharmacy Rebates Applied to Managed Care	(12.5)	(5.6)
Adjust Funding to Reflect Enhanced FMAP for Medicaid Match for State MH/ID Facilities and CSA	(11.4)	-
Reduce Funding for FAMIS Utilization and Inflation	(9.4)	-
Require Independent Assessments for Children's Community Mental Health Services	-	(9.4)
Account for Federal Bonus for New CHIPRA Enrollment Initiatives	0.3	(9.4)
Implement an Assessment on Providers of ICF-MR Services	-	(8.5)
Adjust Enrollment and Cost Projections for Medicaid SCHIP Children	(3.2)	(4.7)
Expand Medicaid Care Coordination to Additional Services, Populations and Regions	-	(3.4)
Reduce Nursing Home Capital Reimbursement from 8.5% to 8.0%	-	(2.4)
Revised Spending Projections for Involuntary Mental Commitments	(0.9)	(0.8)
Department of Social Services		
Supplant GF with TANF 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)
Adjust Funding for Unemployed Parents Benefit Program	(1.8)	-
Supplant GF with TANF for Domestic Violence Program	-	(1.2)
Reduce Administrative Spending by 7.7%	-	(1.0)
Capture Excess Funding in the Auxiliary Grant Program	(0.5)	(0.5)
Public Safety		
Department of Corrections		
Savings from Earlier Closing of James River Correctional Center	(\$1.3)	(\$0.2)

Major Spending Reductions Approved in Chapter 890, as Adopted
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Department of Correctional Education		
Transfer Positions to Corrections	-	(\$1.8)
Department of Juvenile Justice		
Supplant GF with Child Support Enforcement Balances	-	(\$1.0)
Department of State Police		
Adjustments to Fund STARS and Trooper Schools	(\$0.7)	-
Central Appropriations		
Require Plan 1 Employees to Pay Share of Retirement	-	(\$92.8)
Capture Savings from Hiring Freeze	<u>-</u>	<u>(10.5)</u>
Grand Total	(\$197.6)	(\$441.1)

Spending

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

- \$32.7 million GF, along with \$250.0 million NGF, to fund the Virginia Transportation Infrastructure Bank created in Chapters 830 and 868 of the 2011 Acts of Assembly;
- \$107.8 million GF for a 5 percent salary increase for state employees to partially offset reinstatement of the employee VRS retirement contribution;
- \$41.7 million GF to eliminate the 4th quarter lag of VRS payments;
- \$69.5 million GF to address the increased cost of Medicaid from increased utilization and inflation;
- \$55.2 million GF for increased information technology costs;

- \$97.6 million GF for higher education, including about \$68.0 million GF to fund initiatives of the “Top Jobs” higher education legislation adopted by the 2011 General Assembly; and
- \$10.0 million GF to establish the Virginia Research and Technology Investment Fund and add \$36.2 million GF in other expanded economic development of incentives and tax credits.

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

Major Spending Increases Approved in Chapter 890, as Adopted		
(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
Administration		
Compensation Board		
Restore Sheriffs' Funding	\$8.3	\$14.3
Provide Funding for Jail Per Diems	6.1	-
Funding to Staff Jail Expansions	-	1.3
Agriculture and Forestry		
Department of Agriculture and Consumer Services		
Farmland Preservation, International Marketing, Food Inspection, Firefighting Equipment	-	\$2.0
Commerce and Trade		
Economic Development Incentive Payments		
VA Research and Technology Fund	-	\$10.0
Increase in VA Investment Part. and Micron Phase 3 Grants	-	2.4
Motion Picture Opportunity Fund	-	2.0
Department of Business Assistance		
Recapitalize VSBFA Loan Programs	-	\$5.0
Department of Housing and Community Development		
Increase Enterprise Zone Funding	-	\$3.5
Fund Industrial Site Development Program	-	3.0

Major Spending Increases Approved in Chapter 890, as Adopted
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Fort Monroe Authority Operational Funding	-	1.9
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		
Brownfields Restoration Fund	-	\$1.0
Virginia Tourism Authority		
Expand Tourism Partnership Grant Fund	-	\$2.0
Education		
Secretary of Education		
Provide Incentive Grants for College Lab Schools	-	\$0.6
Direct Aid (DA) to Public Education		
Supplemental One-time Funding \$129.62 PPA	-	\$87.7
Sales Tax Revenue Forecast Net Adjustment	19.5	21.0
Increase Teacher Employer VRS Rate by 2.0%	-	31.0
Remaining Hold Harmless Supplement w/ \$129.62 PPA	-	14.6
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		
FT / PT Faculty, Base Adequacy, Enrollment & New Seats	-	\$30.1
O & M for New Facilities	-	13.6
Financial Aid	-	13.3
STEM Initiatives	-	11.9
Higher Education Interest Earnings	-	7.9
VCU Massey Cancer Center	-	5.0
UVA Cancer Research	3.0	-
VCCS Workforce Development	-	3.0
UMW Dahlgren Center	-	1.0

Major Spending Increases Approved in Chapter 890, as Adopted
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Affiliated Institutions and Higher Education Centers		
EVMS Operating Support	-	\$4.1
SCHEV-Tuition Assistance Grants, Transfer Grant, VMSDEP, Space Grants & T21 Support	-	3.7
VT Extension	-	1.5
VSU Agriculture and Extension	-	0.5
Other Education		
Frontier Culture Museum	\$0.5	-
Jamestown-Yorktown	-	0.4
Finance		
Department of Taxation		
Funding for Increased Rent for New Processing Facility	-	\$1.0
Treasury Board		
Debt Service Requirements for Currently Authorized Projects	-	\$10.5
Health and Human Resources		
Department of Health		
Fund Shortfall in HIV/AIDS Pharmaceutical Assistance Program	\$3.6	\$2.6
Reverse Restaurant Fee Increases	-	4.3
Restore GF for Marina Program, Shellfish Sanitation Program, Health Care Facilities Regulation, and Office of the Chief Medical Examiner	-	3.3
Department of Medical Assistance Services		
Medicaid Forecast of Utilization and Inflation	-	\$157.1
GF to Suspend Medicaid Payment Delays in FY 2011	113.6	-
Restore GF for Inpatient Hospital Services Rates	-	24.2
Restore GF for Physician Services Rates	-	14.7
Restore GF for Home & Community-based Waiver Rates	-	14.4
Restore GF for Nursing Home Operating Rates	-	13.8
Restore GF for Respite Care Hours	-	13.4
Adjust Funding for the Health Care Fund	10.0	0.3
FAMIS Enrollment and Cost Increases	-	9.7
Add 275 Intellectual Disability Waiver Slots		9.0

Major Spending Increases Approved in Chapter 890, as Adopted
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Fund Health Information Technology Initiative, Provider Incentive Program and Other Costs of Health Care Reform	1.6	4.5
Restore GF for Dental Services Rates	-	2.3
Fund 150 Developmental Disability Waiver Slots	-	2.2
Add Funding for Children's Hospital of the King's Daughters	-	1.0
Department of Behavioral Health and Developmental Services		
Appropriation for Behavioral Health and Developmental Services Trust Fund	-	\$30.0
Address Caseload Growth in Sexually Violent Predator Program	-	17.4
Increase Staffing at Intellectual Disability Training Centers	-	7.1
Increase GF for Loss of Federal Medicaid Match for Hancock Geriatric Facility & Add 8 Positions	5.4	-
Crisis Intervention for Individuals with Co-occurring Disorders	-	5.0
Expand Crisis Stabilization Services Statewide	-	2.0
Restore Funding for SWVMHI Geriatric Unit	-	2.0
Fund Community Services for ESH Discharges/Diversions	-	1.9
Add Additional Positions for Licensing, Community Transitions, Electronic Health Records, System Wide Medical Director and Quality Management	-	1.4
Department of Social Services		
Fund Child Support Shortfall	\$2.5	\$9.9
Restore Funding for Local DSS Operations	-	2.9
Fund Projections for Unemployed Parent Benefit Program	-	2.6
Restore Auxiliary Grant Rates per Federal Mandate	-	2.4
Fund Increase for Adoption Subsidies	1.3	-
Natural Resources		
Department of Conservation and Recreation		
Provide for WQIF Deposit	\$32.8	-
Provide Funding for Land and Civil War Battlefield Preservation	-	2.0
Increase Funding for State Parks and Natural Areas	-	2.0
Add Funding for Soil and Water Conservation Districts	-	1.0
Department of Environmental Quality		
Provide for WQIF Deposit	\$3.6	-

Major Spending Increases Approved in Chapter 890, as Adopted
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
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
Provide Transitional Payments in Lieu of Taxes	1.2	-
Department of Criminal Justice Services		
Provide Additional Aid for Localities with Police Departments	-	\$12.4
Department of Juvenile Justice		
Add Funding for Juvenile Crime Control Grants	-	\$0.8
Department of State Police		
Provide Funding for State Police Officer Overtime	-	\$6.0
Increase Funding for STARS Maintenance	-	5.9
Department of Veterans Affairs		
Add Funding for Benefit Operations and Cemetery Operations	-	\$0.8
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	\$32.7	-
Central Appropriations		
Central Appropriations		
5% Salary Increase to Offset Employee VRS Contribution	-	\$107.8
Funding for VITA Rate Increases	26.6	28.7
Funding to Eliminate 4 th Quarter VRS Lag	-	41.7
Capital Outlay		
VCU Property Acquisition	-	\$3.3

Major Spending Increases Approved in Chapter 890, as Adopted
(GF \$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>
Sitter-Barfoot Veterans Center Expansion	-	3.3
Goochland DOC Waterline	-	1.9
Castlewood BCI	-	0.4
Grand Total	\$284.0	\$912.8

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

Public Education. Adopted amendments to Direct Aid to Public Education result in a net reduction of \$26.0 million GF in FY 2011 and an increase of \$48.7 million GF in FY 2012 as compared with Chapter 874. Instead of \$57.6 million GF in the second year for the one-time 50 percent Hold Harmless funding for the school divisions whose Composite Index increased from the last biennium adopted in Chapter 874, the adopted budget provides \$87.7 million GF as a one-time allocation to all school divisions based on the state’s share of \$130 per pupil and \$16.6 million for the remaining amounts needed to “make whole” the localities affected by the Hold Harmless payments. Other key policy changes include an increase of \$31.0 million GF for the state’s share of a VRS employer contribution rate of 6.33 percent in FY 2012 and \$3.0 million GF for performance pay pilots.

Other actions include a \$40.5 million GF increase due to revised sales tax projections; a \$43.2 million GF decrease due to expected slower enrollment growth; a \$35.0 million GF decrease due to updates to Lottery-funded programs, which frees up more Lottery proceeds for other education program costs; and an \$8.4 million GF decrease in the first year from recalculating the 100 percent composite index Hold Harmless funding, in order to reflect the effect of additional reductions adopted in the 2010 Session and revised enrollment projections.

In the Office of the Secretary of Education, the introduced budget proposed reducing state funding for public broadcasting by 50 percent from the current appropriation, with the intention of eliminating state support beginning with the next biennium. The adopted budget instead results in a total appropriation of \$3.6 million, down from \$4.1 million total in Chapter 874. The adopted budget also adds \$600,000 GF for institutions of higher education to plan for the development of “College Partnership Laboratory Schools.”

Higher Education. Adopted amendments increase funding to higher education by \$97.8 million GF over the biennium. In the second year, this increase includes \$55.6 million GF in

Educational and General programs to address the themes of the “Top Jobs” legislation initiatives which include access, affordability, increased use of technology and additional STEM (Science, Technology, Engineering and Mathematics) degrees. In addition, access and affordability were also addressed through an increase of \$16.3 million GF for several undergraduate financial assistance programs. Several institutions (Old Dominion University, University of Virginia, Virginia Commonwealth University, the Virginia Community College System, and Eastern Virginia Medical School) received specific allocations of between \$3.0 to \$5.0 million GF in FY 2012 for base operations, cancer research, or workforce development.

Health and Human Resources. The approved amendments to the 2010-12 budget for Health and Human Resources (HHR) includes new general fund spending of \$508.7 million offset by reductions of \$334.8 million. Most new spending (75.6 percent) is provided to comply with federal and state mandates related to Medicaid and Family Access to Medical Insurance Security (FAMIS). In addition, significant funding is provided to comply with the U.S. Department of Justice’s letter related to inadequate funding for individuals with intellectual and developmental disabilities, including \$30.0 million to transition individuals currently residing in state training centers to the community. Additional resources are also provided to address continued enrollment growth at the Virginia Center for Behavioral Rehabilitation – the Commonwealth’s psycho-social treatment program for sex offenders.

The approved budget provides \$96.5 million GF in discretionary spending primarily related to Medicaid provider rates. Because significantly less federal medical assistance percentage (FMAP) funding was awarded to the Commonwealth than previously anticipated, additional general fund support is provided to eliminate or reduce reductions that otherwise would go into effect on July 1, 2011. In addition, funding is restored to reverse actions taken during previous legislative sessions. For example, funding is provided to roll-back restaurant fee increases, to mitigate reductions to local departments of social services, and restore geriatric care for individuals with a mental illness at state facilities.

While budget reductions are spread across most HHR agencies, the largest reductions can be found within the Department of Medical Assistance Services. Forecast-related changes to Medicaid and FAMIS as well as budget adjustments to align appropriations with projected spending account for 64 percent (\$140.8 million) of general fund spending reductions in HHR. Overall biennial reductions in HHR total \$334.8 million. Additional reductions are made possible by replacing general fund monies with other non-general fund resources, various Medicaid budget reduction strategies, and agency administrative reductions and efficiencies.

Public Safety. Adopted amendments provide a net increase of \$32.2 million GF for the biennium when compared to Chapter 874. The largest increase in the Department of Corrections (DOC) addresses the fast-growing cost of inmate health care, for which the amendment includes an additional \$8.1 million GF and 18 positions, along with language calling for continued study of ways to slow the growth in costs. There is also \$2.2 million GF and \$1.0 million NGF from the Drug Offender Assessment Fund 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 the 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 budget for the Department of State Police includes \$5.9 million GF in the second year to accelerate the opening dates for three Basic Trooper Schools and to maintain the State Agencies Radio System (STARS), along with \$6.0 million GF for State Trooper overtime. State aid for localities with police departments is reduced by 3.5 percent in the second year, from \$178.6 million in FY 2011 to \$172.4 million in FY 2012.

Amendments for the Department of Veterans Services restore \$402,403 for veterans claims offices and add \$387,164 and one new position to improve operations at the state veterans cemeteries. In the Capital Outlay budget, \$3.3 million GF is added for the state share of an 80-bed expansion of the Sitter and Barfoot Veterans Care Center in Richmond. Language is also 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.

Central Appropriations/State Employee Compensation. Approved compensation changes result in a net increase of \$95.6 million GF for employee compensation. Of this amount, appropriations are increased by a net of \$47.1 million GF in the Central Appropriations and general fund revenues are reduced by \$38.8 million (a reduction in revenues is the equivalent of spending on the appropriation side of the budget, since both reduce the remaining general funds available for appropriation).

Projected savings from the 2010 Session VRS retirement contribution deferrals are reduced by \$69.8 million (all funds) in FY 2012. Of this amount, projected general fund balances reflected on the Revenue Page of the budget are reduced by a total of \$38.8 million for FY 2012. This action reflects reduced savings generated by state agencies. A direct appropriation increase of \$31.0 million GF in FY 2012 is included for Direct Aid to Public Education to reflect the additional cost of teacher retirement under the Standards of Quality. These actions do not affect employee cash compensation.

Several actions were taken to revise the pension reforms passed by the 2010 General Assembly, resulting in a net increase of \$56.8 million GF in FY 2012: (1) savings of \$92.7 million GF from requiring state employees hired before July 1, 2010 to pay the 5.0 percent employee retirement contribution; (2) \$107.8 million GF to provide an offsetting 5.0 percent salary increase; and (3) \$41.7 million GF to eliminate the fourth quarter lag in payments to the Virginia Retirement System adopted in the 2010 Session. Other general fund increases total \$810,000. Savings of \$10.5 million GF are realized from an Executive Branch hiring freeze.

Judicial Department. Adopted amendments include \$5.4 million GF each year for projected costs in the Criminal Fund. The adopted budget also reduces the savings required in the Judicial Reversion Clearing Account by \$4.7 million GF (from \$6.5 million in Chapter 874 to \$1.8 million in the budget, as adopted). Chapter 874 required \$6.5 million in savings in FY 2012

from holding vacant judgeships open through June 30, 2012. The budget, as adopted, provides sufficient funding to fill 21 vacant judgeships as of July 1, 2011. Language is added to permit the Judicial Department to achieve part of the remaining savings through actions other than not filling vacant judgeships.

Finance. Adopted amendments include \$64.0 million held in reserve for required payments to the Revenue Stabilization Fund in the FY 2012-14 biennium and \$3.2 million GF for debt service payments on new authorizations. Reductions include \$24.5 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 included for the Department of Taxation, debt service in the Treasury Board is reduced by \$666,657 GF to reflect revised estimates of amounts to be funded from the capital fee charged to out-of-state students, and miscellaneous reductions totaling \$949,550 GF are included for the other Finance agencies.

Administration. Adopted amendments include \$30.0 million GF for sheriffs and regional jails provided under the Compensation Board. In addition to these direct appropriations, language provides \$7.4 million from the FY 2011 year-end balance to provide additional support for sheriffs. Other general fund increases total just over \$1.0 million. The only major decrease is a reduction of \$1.7 million GF from the constitutional officers' liability insurance and surety bond premiums. In addition, there is a reduction of \$233,428 GF in reimbursements to localities for the compensation and expenses of local electoral boards. Other reductions total \$619,485 GF.

Technology. Adopted amendments 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 positions 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. Included within the amendments for Central Appropriations is an additional \$26.6 million for FY 2011 and \$28.7 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. Adopted amendments provide \$3.1 million GF in new spending partly offset by reductions of about \$0.8 million GF. Modest increases are included for farmland preservation, international marketing, wine promotion, and forestry firefighting equipment. Decreases include turnover and vacancy, transferring positions to nongeneral fund sources and other administrative savings.

Natural Resources. Adopted amendments provide \$43.0 million GF in new spending, which includes the statutorily required deposit of \$36.4 million GF to the Water Quality Improvement Fund. This additional funding will be critical as Virginia executes 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. Other increases

include restoring prior year cuts of \$1.0 million GF for state parks and \$1.0 million for soil and water conservation districts. An additional \$2.0 million is provided for land conservation and Civil War battlefield preservation and \$800,000 for the critical protection needs of natural area preserves.

Commerce and Trade. Adopted amendments include \$37.5 million GF in new spending, offset by \$13.9 million GF in savings. Increases include \$10.0 million GF to encourage investment in research-based technologies. Other new job creation efforts include \$5.0 million GF for small business investment, an additional \$3.5 million GF for enterprise zones, \$3.0 million GF for revitalization of derelict structures, \$2.0 million GF for tourism promotion, \$2.0 million GF for motion picture production and \$1.0 million GF for brownfield industrial sites.

Other new spending includes \$2.4 million GF for increased subscription for semiconductor manufacturing grants, \$1.9 million GF for second year operation of the Fort Monroe Authority, and \$1.1 million GF to restore prior budget cuts in the Economic Development Partnership and the Department of Business Assistance.

The general fund reduction is largely attributed to savings of \$5.5 million GF from a biotechnology project that was funded in Chapter 874, which did not come to fruition. Other savings include \$1.4 million from transferring the Commercial Space Flight Authority to nongeneral fund sources in the Department of Aviation and \$1.1 million GF from staff turnover and vacancy and reduced information technology costs.

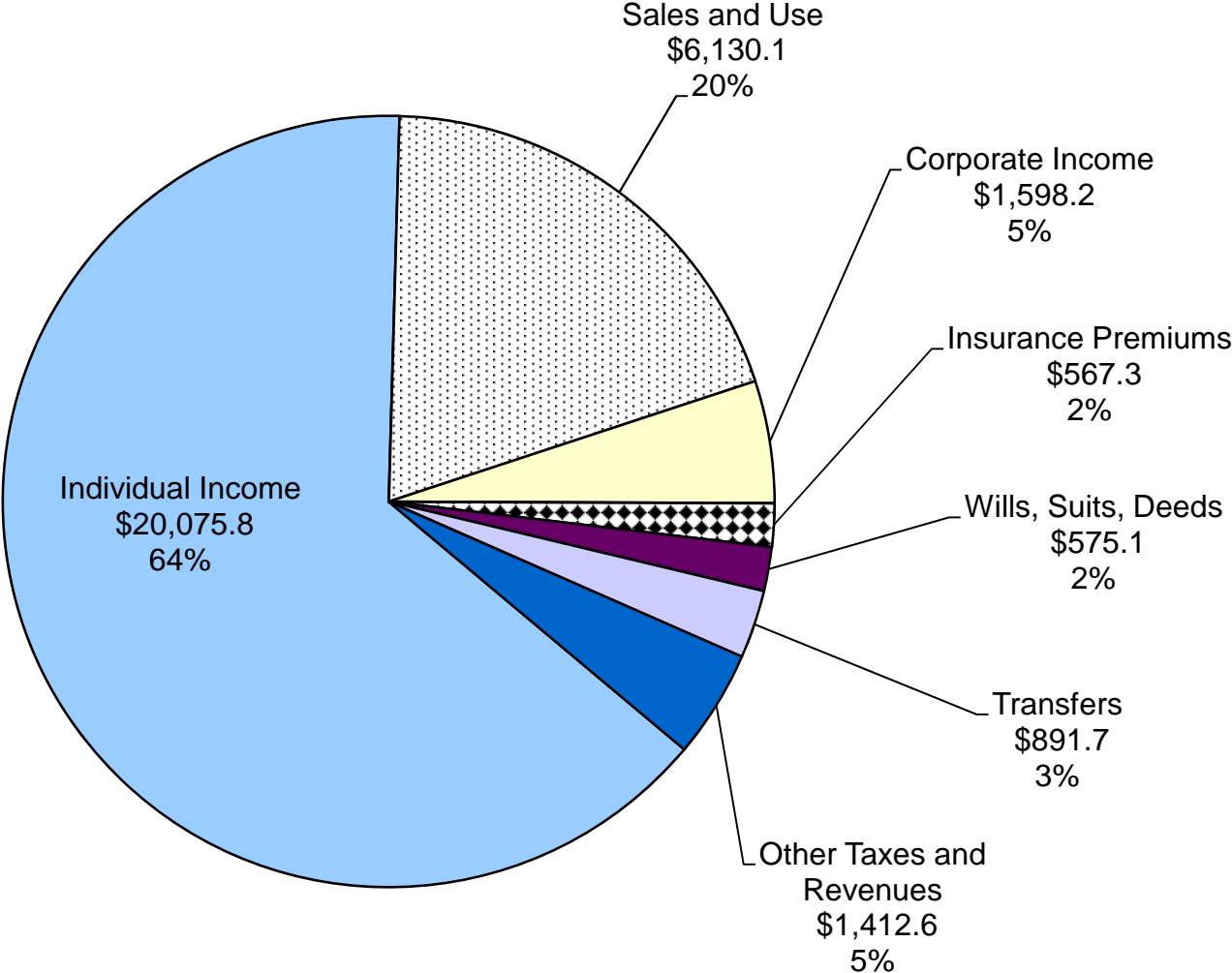
Transportation. Adopted amendments include increases of \$32.7 million GF and \$560.7 million NGF. The general fund represents the statutorily required deposit of a portion of the FY 2010 year-end surplus revenues. The majority of the nongeneral fund increases, totaling \$512.0 million, reflect adjustments to the transportation revenue forecast 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 by \$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. Additional amendments within the Transportation agencies realign oversight responsibility for the Virginia Commercial Space Flight Authority from the Commerce and Trade secretariat.

Capital Outlay. Adopted amendments for capital projects total \$356.0 million (all funds), including \$81.4 million for general fund supported projects and \$274.7 million for nongeneral fund supported projects. Most of the latter is for auxiliary enterprise and other nongeneral fund revenue-supported projects at the colleges and universities. General fund supported projects include: \$8.9 million from general fund cash, and \$72.5 million from tax-supported debt, including: \$51.1 million in VCBA bonds for equipment for buildings scheduled to be completed, and \$21.4 million in VCBA and VPBA bonds for other projects.

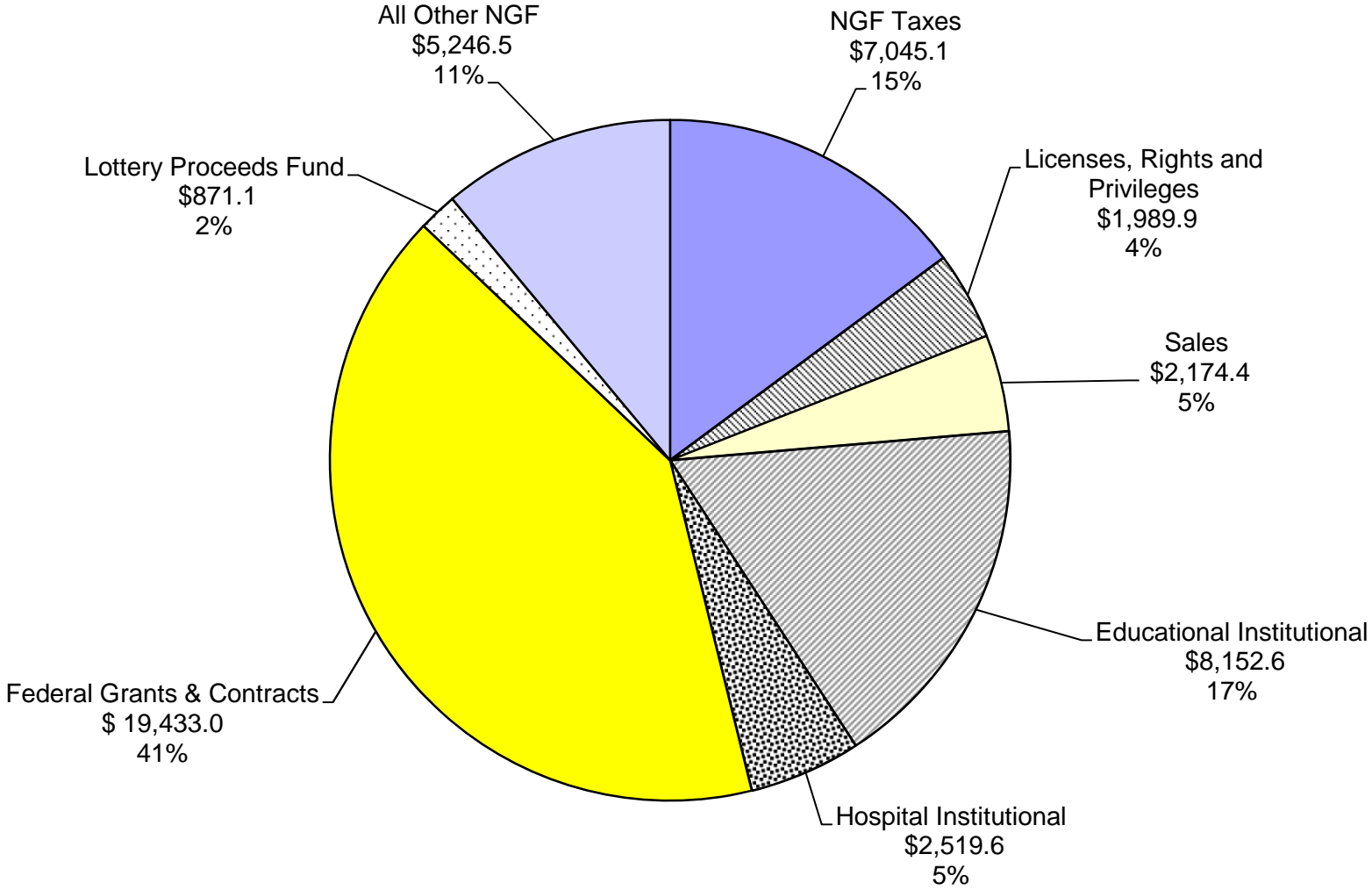
FY 2010-12 General Fund Revenues = \$31,205.8

Chapter 890

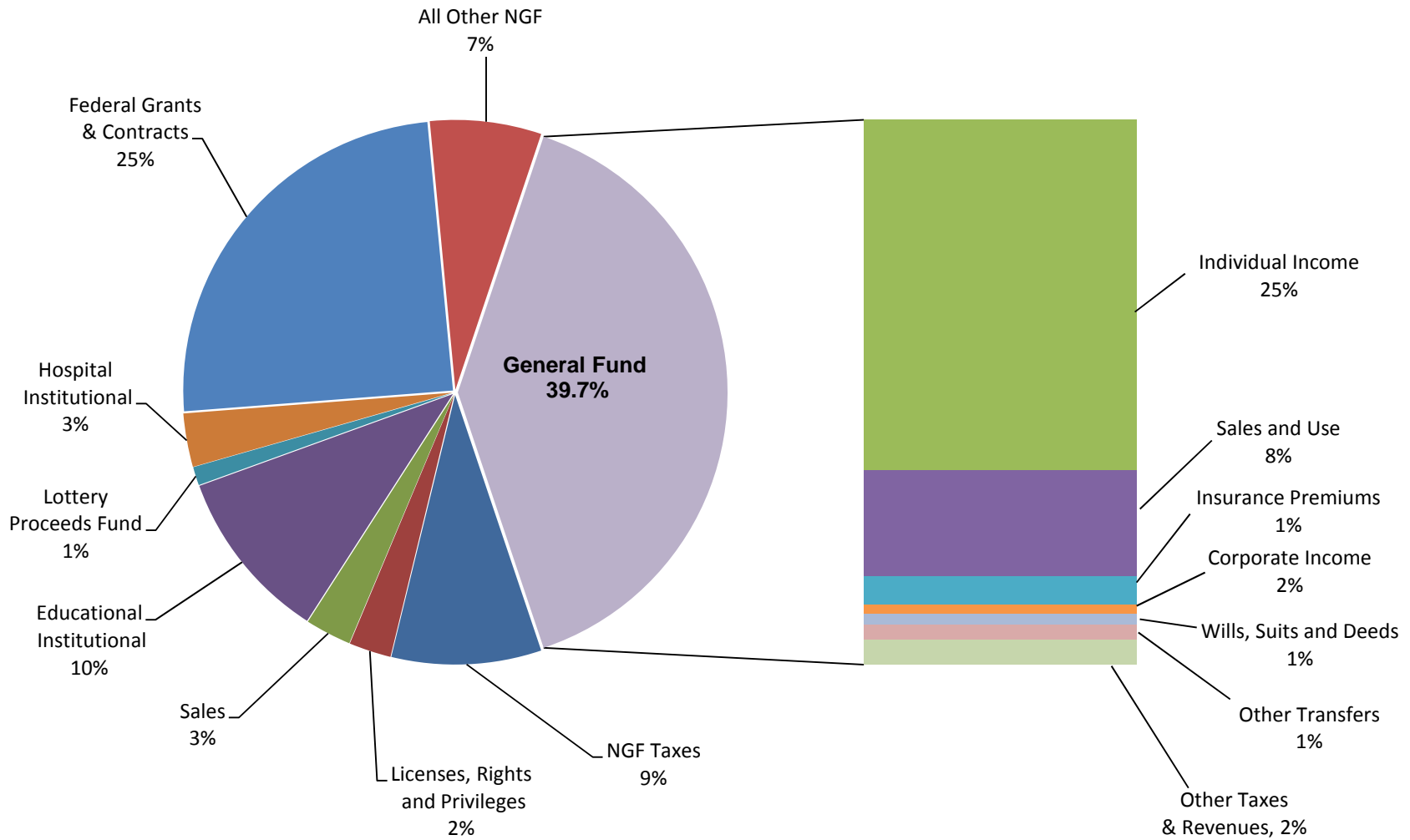
(\$ in millions)



FY 2010-12 Nongeneral Fund Revenues = \$47,432.2
Chapter 890
(\$ in millions)



F Y 2010-12 Total Revenues = \$78.637.3
Chapter 890
(\$ in millions)



2010-2012 GF Operating Budget = \$32,005.5

Chapter 890

(\$ In millions)

