

K-12 Education

K-12 Education funding accounts for \$11.4 billion or 37 percent of the total general fund operating budget in the introduced budget bill.

Funding for K-12 Education between FY 2000 and FY 2010 has increased by \$2 billion or 55 percent. The principle reasons for this growth include:

- Growth in the school-aged population
- Salary increases for teachers (teacher costs are one of the factors that drive state funding)
- Growth in lottery profits dedicated to K-12 education
- VRS rate changes
- 2004 changes to the Standards of Quality

The introduced budget contains \$486.2 million in general fund reductions for this functional area.

Spending Proposals:

Update Composite Index Local Ability To-Pay in FY 2011 (\$29.5 million)

- Add funding to allow the routine update of the composite index local ability to-pay, in FY 2011. This adjustment reverses the action in HB/SB 30 the introduced budget to delay the update until FY 2012.

Authorize the Issuance of Technology Equipment Notes in FY 2011 and FY 2012 (\$13.5 million)

- Allows for the issuance of \$55 million of debt each year to support the technology equipment needs of Virginia's local schools.
- This equipment is intended to enhance instructional efforts, especially and schools with achievement difficulties.
- Debt service funding of \$13.5 million is not required until FY 2012 to support these notes.

Savings Items:

Delay Base Year Expenditure Update (\$225.8 million)

- Decrease funding to delay the implementation of several base year updates normally used to establish the costs associated with rebenchmarking the Standards of Quality (SOQ) in the beginning of a biennium. Items included in this savings strategy are updates to: support personnel costs to FY 2008, nonpersonal costs to FY 2008, pupil transportation, and costs associated with superintendents, school boards and school nurses. This amendment does not impact state funding support provided for instructional services.

- This action essentially level funds support costs at the same levels funded in FY 2010. Savings are estimated at \$112.0 million for FY 2011 and \$113.8 million for FY 2012.

Exclude Support for Supplemental Salaries (\$130.1 million)

- Decrease funding by excluding expenditures for supplemental salaries (object code 1620) in calculating the costs of the SOQ. Payments in this category include funds to school personnel who provide extracurricular services such as coaching, club sponsorships, or other stipends. This amendment does not impact state funding support provided for basic instructional programs. Savings are estimated at \$64.7 million for FY 2011 and \$65.5 million for FY 2012.

Eliminate Lottery support for certain education programs (\$91.9 million)

- Decrease support for Direct Aid programs by moving programs that are currently supported by the general fund to Lottery support. To implement this action, selected programs from Lottery will be eliminated. Programs suggested for elimination are discretionary and are not considered basic instructional programs: Enrollment Loss (\$17.5 million), Mentor Teacher (\$2.0 million), School Breakfast (\$5.3 million), and Additional Support for School Construction and Operating Costs (\$67.0 million). Savings are estimated at \$47.1 million for FY 2011 and \$44.8 million for FY 2012.

Adjust Prevailing Cost Methodology (\$70.7 million)

- Decrease funding by changing the way the statewide prevailing methodology is calculated for support nonpersonal costs. Currently, zero values are eliminated when the linear weighted average is calculated for support nonpersonal costs. This strategy will incorporate zero values and include them when calculating the linear weighted average of costs. This amendment does not impact state funding support provided for basic instructional programs. Savings are estimated at \$35.2 million for FY 2011 and \$35.5 million for FY 2012.

Adjust At-Risk Add-On (\$41.5 million)

- Decrease funding for add-on payments for students who are educationally at risk by changing the existing funding methodology from one percent to 12.0 percent in additional basic aid per Free Lunch participant to one percent to eight percent. This strategy creates savings by reducing the At Risk add-on payments in Lottery and transfers support for general funded programs to Lottery support. This amendment does not impact state funding support provided for basic instructional services. Savings are estimated at \$21.1 million for FY 2011 and \$20.4 million for FY 2012.

Adjust Federal Deduct (\$36.2 million)

- Adjusts the federal deduct amount used in calculating costs of the Standards of Quality. The federal deduct is based on a ratio between instructional and support costs and is calculated at the beginning of the rebenchmarking cycle. HB/SB 30 contains various changes to support costs and recalculating the federal deduct ratio at this time achieves additional savings. This amendment does not impact state funding support provided for basic instructional programs. Savings are estimated at \$18.1 million for FY 2011 and \$18.1 million for FY 2012.

Exclude Nonpersonal Facility Support (\$31.8 million)

- Decrease funding by excluding facility related expenditures included in calculating the costs of the SOQ. This amendment does not impact state funding support provided for basic instructional programs. Savings are estimated at \$15.8 million for FY 2011 and \$16.0 million for FY 2012.

Exclude Lease and Rental Support (\$31.6 million)

- Decrease funding by excluding lease and rental expenditures (object code 5400) expenditures included in calculating the costs of the SOQ. This amendment does not impact state funding support provided for basic instructional programs. Savings are estimated at \$15.7 million for FY 2011 and \$15.9 million for FY 2012.

Exclude Support for Travel (\$29.1 million)

- Decrease funding by excluding travel expenditures included in calculating the costs of the SOQ. This amendment does not impact state funding support provided basic instructional programs. Savings are estimated at \$14.4 million for FY 2011 and \$14.6 million for FY 2012.

Extend School Bus Replacement Cycle (\$19.5 million)

- Decrease funding by adjusting the school bus replacement cycle from 12 years to 15 years. Many school systems presently replace school buses at 15 years. This amendment does not impact state funding support provided for basic instructional programs. Savings are estimated at \$9.8 million for FY 2011 and \$9.8 million for FY 2012.

Transfer Literary Fund balances (\$13.0 million)

- Decrease general fund support by increasing the Literary fund support provided for teacher retirement. Additional funds are available from penalties paid to the Commonwealth by various financial institutions and unclaimed property. This adjustment results in a net zero impact.

Decrease general fund support for Direct Aid Programs (\$10.0 million)

- Decrease general fund support for Direct Aid programs with an offset in additional Lottery revenue. This adjustment results in a net zero impact. General fund savings are estimated at \$5.0 million for FY 2011 and \$5.0 million for FY 2012.

Public Safety and Judicial

The Public Safety area (including the Compensation Board) and the Judicial branch of government account for approximately \$6.1 billion or 20 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

General fund appropriations for Public Safety between FY 2000 and FY 2010 has increased by \$584.1 million or 34.6 percent. The principle reasons for this growth include:

- Growing state and local inmate populations and the related opening of new prison and jail facilities
- Additional growth in local law enforcement funding due to a rising Virginia population (sheriffs' deputies funding tied to population) and rising general fund revenues (HB599 funding for local law enforcement tied to general fund revenue growth).
- Employee salary increases granted during the period as this function accounts for approximately 52 percent of the employees in the executive branch supported by the general fund)

General fund appropriations for the judicial area between FY 2000 and FY 2010 have increased by \$175.3 million or 76 percent. The principle reasons for this growth include:

- Growth in funding for indigent defense
- Additional judge, magistrate and district court positions to address a growing caseload

The introduced budget contains \$496.5 million in reductions for this functional area.

Because of potential negative impact to public safety from the significant cuts to law enforcement funding and the closure of several prison facilities in the introduced budget, Governor McDonnell is not proposing many new cuts in public safety. In addition, he is proposing several spending proposals to restore funding for law enforcement.

Spending Proposals:

Restore the 116th state trooper school (\$4.9 million)

- Restores reductions to enable the 116th trooper school in FY11.
- The introduced bill delayed the school until January 2012.
- The only remaining reduction is related to four civilian positions.
- Spending: \$3.1 million in FY11 and \$1.8 in FY12.

Sheriffs' law enforcement deputy ratio 1:1,650 population (\$19.1 million)

- Reduces the reduction for law enforcement deputies such that the ratio is one deputy for every 1,650 local population.
- The introduced budget bill provided for one deputy for every 2,000 local population.
- The minimum of five law enforcement deputies is maintained for qualifying localities.
- Spending: \$9.5 million in FY11 and \$9.6 million in FY12.

Savings Items:

Support state troopers with 4-for-Life funds (\$20.6 million)

- Redirects funds from support of administrative positions to support of first responders.
- Has no effect on funding for grants to localities for local rescue squads.
- Reductions: \$10.0 million in FY11 and \$10.6 in FY12.
- Reduction is ongoing.

Judicial system operating costs (\$6.0 million)

- Continues the \$3 million voluntary reduction offered by the Judicial branch last biennium.
- Reduction would be spread between the various general fund supported agencies in the Judicial branch, excluding constitutionally mandated expenditures.
- Reduction is \$3 million each year and is ongoing.

Virginia Juvenile Community Crime Control Act (\$5.0 million)

- Reduces pass-through funding for localities for juvenile prevention programs.
- Increases reduction by implementing the ten percent reduction strategy plan (introduced bill implements the five percent strategy), in line with cuts to other law-enforcement programs.
- Reduction is \$2.5 million each year.
- Reduction is ongoing.

Inmate medical costs (\$4.7 million)

- Eliminates increase in second year proposed in introduced budget.
- Department of Corrections will continue to identify efficiencies in delivery of medical services to result in savings.

Probation and parole officers (\$2.8 million)

- Eliminates 33 vacant probation and parole officer positions.
- Implementation of strategies identified by Secretary of Public Safety's Task Force on Alternatives for Nonviolent Offenders will result in reduced caseloads.

Correct savings amount for the 117th state trooper school (\$1.2 million)

- Corrects the savings amount identified in the introduced bill for delaying the 117th trooper school.
- The monthly savings amount was inadvertently used instead of the annual amount.
- Reduction is \$1.2 million in FY11.
- Reduction is one-time.

Court-appointed attorney waiver program (\$1.3 million)

- Reduces funding for the court-appointed waiver program by 15 percent, which is comparable to reductions to grant programs in most Executive Branch agencies.
- Reduction is \$630,000 each year and is ongoing.

Reduce Juvenile Justice administrative expenses (\$0.8 million)

- Reduces the agency's operating budget and eliminates three positions in the central office.
- Reduction is \$403,974 each year and is ongoing.

Reduce Forensics administrative expenditures (\$0.4 million)

- Applies a two percent reduction to administrative services within the Department of Forensic Science, for a savings of \$216,539 in FY 2011 and \$217,267 in FY 2012.
- Forensics realized only a minimal reduction in the introduced budget (0.1 percent in FY 2011 and 0.0 percent in 2012).

Capture savings from agency closure of Washington benefits appeals office (\$0.1 million)

- Captures savings from the Department of Veterans Services' shift of the appeals caseload from the Washington office to the Fairfax office, for savings of \$74,500 in each year.

Reduce Forensics administrative positions (\$0.1 million)

- Reduces current staff levels at the Department of Forensic Science through layoff of two administrative employees, for savings of \$55,444 in FY 2011 and \$65,461 in FY 2012.

Reduce staffing at Norfolk benefits office (\$79,100)

- Eliminates one Department of Veterans Services' benefits position at the Norfolk office, with workload absorbed by other staff, for savings of \$33,900 in FY 2011 and \$45,200 in FY 2012.

Remove funding for court-appointed attorney's for juvenile correctional facilities (\$60,480)

- Eliminates funding proposed in HB/SB 30 to provide compensation for court-appointed attorneys who counsel and assist individuals confined in juvenile correctional facilities. The expected savings from this strategy is \$30,240 per year.
- This strategy was to be funded from the Criminal Fund, which is maintained and operated by the Supreme Court of Virginia.

Reduce the hours of War Memorial part-time employees (\$37,462)

- Curtails the hours of wage educational and administrative employees at the Virginia War Memorial, for savings of \$18,731 in each year.

Employee Compensation

The estimated 2010-12 biennial general fund portion of state employee and the state share of public employee salaries accounts for approximately \$9.1 billion. This represents a little less than 30 percent of the total biennial GF budget. State employee salaries alone represent \$3.8 billion or 12.5 percent of the biennial budget and the state share of public school employee salaries represents \$5.3 billion or 17.4 percent of the budget.

The introduced budget for the 2010-12 biennium included a change in policy which would require state employees to pay a portion of their salaries (one percent in FY 2011 and two percent in FY 2012) towards retirement contributions. In addition, for FY 2010, a one day furlough is planned for state employees.

The most recent salary increase granted to state employees was a four percent increase that became effective on November 25th, 2007. This was also the last time the state provided direct funding for public school teacher salary increases, although teachers have typically received salary increases via local funding in the years since.

From FY 2004 to FY 2010 (excluding furloughs) base pay increases for state employees have averaged approximately 2.5 percent each year (This includes FY 2009 and FY 2010 during which no increases were awarded). The following table shows recent state funded public employee salary increase actions.

Fiscal Year	Classified Employees	Teaching and Research Faculty	Admin and Part-Time Faculty	Public School Teachers	Other State Supported Local
FY 2004	2.25 percent on 11/25/03.	2.25% for each institution	2.25% for each institution	2.25% on 1/1/04	2.25% on 12/1/03
FY 2005	3% on 11/25/04.	3.0% for each institution	3.0% for each institution	0.00%	3% on 12/1/04
FY 2006	3% across the board salary increase plus \$50 per year of service (average 4.4%) on 11/25/05	Average 4.2 % increase effective 11/25/05.	Average 4.0% increase effective 11/25/05.	3% increase effective 12/01/05	4.4% increase effective 12/1/05.
FY 2007	4% increase on 11/25/06.	Average 4% increase effective 11/25/06.	Average 4% increase effective 11/25/06.	3% for all instructional and support staff plus 1% for SOQ only teaching staff.	4% increase effective 12/1/06.
FY 2008	4% increase effective 11/25/07.	4% increase effective 11/25/07.	4% increase effective 11/25/07.	3% increase effective 12/01/07.	4% increase effective 12/1/07.
FY 2009	0.00%	0.00%	0.00%	0.00%	0.00%
FY 2010	0.00%	0.00%	0.00%	0.00%	0.00%

Spending Proposals:

Eliminate Employee Payments for Retirement (\$114.8 millions)

- Reversal of savings from employee share of retirement contributions.
- Savings included in the introduced bill assumes that state employees would pay one percent of salary in FY 2011 towards retirement and two percent in FY 2012.
- This option would reverse this for both the state employee defined benefit programs administered by VRS and optional retirement plans (ORP).

State Employee Bonus (\$82.2 million)

- A three percent bonus will be awarded in December 2011.
- The bonus applies to all state employees to include higher education faculty.
- It does not include public school employees and other state supported local employees.

Savings Items:

Furloughs (\$180.8 million)

- Furlough state employees for up to five days in FY 2011 and an additional five days in FY 2012 and capture the equivalent of five furlough days from state supported local employees.
- Public school employees, sheriffs, regional jails, state judges and magistrates, state troopers, and other state law enforcement and correctional officers are exempted from any furlough.
- The Governor would be able to lower the number of furlough days in each year if additional revenues materialized over budgeted amounts.

State Employee Health Insurance (\$54.6 million)

- Reduces the reserve for claims incurred but not reported from \$50 million assumed in premiums included in the introduced budget to approximately \$25 million.
- Level funds FY 2012 premiums at the FY 2011 level.

Retirement Contributions (\$611.9 million)

- Fund retirement contributions for state employees and public school employees at the normal cost rate plus 20 percent of the accrued liability portion of the rate.
- Normal cost is the cost of pension benefits accrued during the current year. The accrued liability portion of the rate is the amount that is paid to cover projected future liabilities.
- Funding at normal cost plus 20 percent results in the following savings;
 - State Employee Total (\$264.9 million)
 - Public School Employee Total (\$275.2 million state share and an estimated , \$369 million for local savings)
- Reflect retirement benefit changes for future employees in HB 1189, which
- requires new employees to pay the five percent employer contribution, lowers the employer contribution for optional retirement plans, changes the cost of living adjustment

formula, changes in the retirement multiplier, and makes other changes in retirement eligibility.

- These changes apply only to employees hired on or after July 1, 2010 and result in the following savings;
 - State Employee Total (\$35.7 million)
 - Public School Employee Total (\$36.1 million state share and an estimated , \$71 million for local savings)

Other Virginia Retirement System Administered Benefits (\$119.3 million)

- Fund state group life, state retiree health credit, and teacher retiree health credit at the normal cost rate.
- Normal cost is the cost of benefits accrued during the current year.
- Funding these programs at the normal cost rate results in the following savings;
 - State Employee Total (\$78 million)
 - Public School Employee Total (\$41.4 million GF, \$82 million estimated local savings)

Health and Human Resources

Health and Human Resources accounts for \$9,885.4 million or 31.8 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium. These amounts include the Health Care Fund which totals \$575.1 million.

General fund appropriations for, including the Health Care Fund, support for Health and Human Resources between 2000 and 2010 has increased by \$1,780.3 million or 76.0 percent. The principle reasons for this growth:

- Growth in the Medicaid program increased by 133 percent and accounts for approximately 71 percent of the overall growth in Health and Human Resources. During this time, enrollment has increased by 68 percent and medical inflation has climbed by 50 percent.
- Caseload and expenditures for child welfare services has increased significantly. The funding needed to support the Comprehensive Services Act has grown by \$160 million. In addition, costs associated with mandated foster care and adoptions have increased by an estimated \$55 million.
- Community Services Boards appropriation has grown by 50 percent from \$154 million in FY 2010 to \$227 million in FY 2010.
- Required support for programs and operations in local departments of social services, including a federal settlement over Title IV-E expenditures, have increased by more than \$60 million.
- Increased caseload in mandated benefits programs (TANF cash assistance and child care).
- Information technologies costs.

The introduced budget contains \$664.5 million in general fund reductions for this functional area.

Spending Proposals:

Community Services Boards (\$13.9 million)

- Adds funding to provide community-based care for patients who might otherwise have been treated on an in-patient basis. This funding coincides with the proposed closure of 232 state mental health facility beds.
- The additional funding is equal to fifty percent of the general fund reduction at the facilities in each year.
- As state hospital beds close, these funds will be used to provide access to crisis stabilization, outpatient and day support services for individuals otherwise served by state facilities.

Savings Items:

Consumer-directed Medicaid services (\$62.9 million)

- Eliminates coverage of consumer-directed personal/respite/companion care services, which allow an individual to hire and fire their own caretaker.
- Consumer-directed services exist in the HIV/AIDS, Elderly and Disabled, Intellectual Disability and Developmental Disability Medicaid waivers.
- Individuals in need of these services will still be able to receive them through agency-directed services.
- The savings assumes that 50 percent of the individuals receiving the consumer-directed services will no longer receive any of those services. The remaining 50 percent will begin to receive services through personal/respite/companion care agencies.

Income eligibility for Medicaid long-term care (\$53.3 million)

- Reduces the income eligibility to 250 percent of Supplemental Security Income (SSI), \$20,220 a year, which is equivalent to 186 percent of the federal poverty level.
- Medicaid covers individuals eligible for long-term care services (nursing facility or Medicaid waivers) with income up to 300 percent of SSI (\$24,264 a year).
- The introduced budget reduces the income limit for this eligibility group from 300 percent of SSI to 275 percent.
- Most of the individuals in nursing facilities will be able to “spend down” to continue to be eligible for Medicaid.
- This proposal mainly impacts those eligible in the Medicaid waivers and is estimated to impact 2,000 enrollees.

Freeze FAMIS enrollment (\$33.8 million)

- Freezes enrollment in the Family Access to Medical Insurance Security (FAMIS) program, which covers children and pregnant women up to 200 percent of the federal poverty level.
- The freeze means that beginning July 1, 2010 no new individuals will be covered in the program until the freeze is over.
- An estimated 28,566 individuals will not be enrolled due to the freeze.

Medicaid provider reimbursement reductions (\$27.8 million)

- Reduces reimbursement for community mental health services (i.e. mental health supports, day treatment) by five percent. (\$13.7 million)
 - Community mental health services have not been reduced in any previous round of budget reductions and are some of the fastest growing services within Medicaid.
- Limits indigent care funding to the UVA and VCU health systems to their FY 2010 level. (\$8.7 million)
 - Previous reductions have already reduced indigent care funding for the teaching hospitals by three percent.
- Reduces reimbursement for dental services by five percent. (\$5.4 million)
 - Dental services have not been reduced in any prior round of budget reductions.

Reduce number of staff and close state mental health beds (\$26.0 million)

- Eliminate 390 direct care positions and 49 support positions and closes 232 beds at various facilities statewide.
- Closure of beds will begin in the second half of FY 2011, and continue through the beginning of FY 2012.
- This cut represents a fifteen percent reduction in operational bed capacity at state facilities statewide.
- Separation costs for employees are assumed in the net savings figure.

Reduce community services board funding (\$24.4 million)

- Reduce funding for community services boards by an additional five percent, resulting in a 10 percent cut when combined with the cut included in the introduced budget.
- This cut will also result in the loss of federal mental health block grant funds.

Reduce funding for Comprehensive Services Act (\$24.3 million)

- Reduce the non-Medicaid general fund appropriation for the Comprehensive Services Act by five percent.
- The additional reduction will require language that caps state reimbursement for services at the appropriation level.
- The additional cut, when combined with cuts proposed by Governor Kaine, represent a general fund reduction of twenty percent from FY 2008.

Eliminate one-time expanded TANF spending and supplant general fund (\$11.4 million)

- This strategy would eliminate one-time FY 2011 TANF support for the following expanded activities:
 - Healthy Families of Virginia (\$3.6 million)
 - Community Action Agencies (\$1.1 million)
 - Homeless Assistance and Prevention (\$1.2 million)
 - Local Domestic Violence Grants (\$0.7 million)
 - child support supplement (\$4.8 million)
- The one-time TANF surplus resulting from these cuts will be used to supplant \$11.4 million of general fund being spent for mandated benefits.
- Virginia must maintain federally required maintenance of effort (MOE) spending and since federal TANF dollars do not count as MOE other state spending must be found. This strategy assumes that current state spending for the pre-K program will be used to meet the required MOE; pre-K already accounts for about \$9 million of state MOE.

Capture funds generated from sale of Commonwealth Center for Children and Adolescents (\$9.0 million)

- Account for the revenues generated from the sale of land after the proposed closure of the Commonwealth Center for Children and Adolescents, located near Western State Hospital in Staunton.
- The facility is slated for closure before July 1, 2010.

- Language will be required to divert funds from the Mental Health Trust Fund, which is where the Code of Virginia currently requires proceeds from sale of facilities to be deposited and used for community-based services.

Eliminate general fund support for Healthy Families of Virginia (\$6.3 million)

- Healthy Families of Virginia is a voluntary program that offers home visiting services for up to five years to high risk families who need individualized and comprehensive support. Services include in-home parenting education, child development, preventive health care and support services.
- The Healthy Families model is designed to promote positive parenting, improve child health and development, and reduce child abuse and neglect.
- Hampton Healthy Start pilot project was funded in FY 1994 and state funding has since been provided to expand programs across the state.
- The Healthy Families program in Virginia has grown to 38 local sites serving at-risk families in 88 communities. One state level organization, Prevent Child Abuse Virginia (PCAV), also funded with the state dollars, provides training, technical assistance, quality assurance, and evaluation to the local sites.
- Health Families currently (Chapter 781) receives \$5.5 million in Temporary Assistance for Needy Families (TANF) support.
- The introduced budget supplants the TANF with general fund and reduces the overall state support by 10 percent.
- This strategy will eliminate funding added in the introduced budget to offset the reduction of TANF for Healthy Families of Virginia (\$1.4 million FY 2011 and \$4.9 million FY 2012).

Reduce funding for the Tobacco Settlement Fund (\$6.0 million)

- The introduced budget diverts 15 percent of the Virginia Tobacco Settlement Foundation's payment from the Master Settlement Agreement (MSA) with tobacco companies to the Family Access to Medical Insurance Security (FAMIS) program.
- This action increases the redirected amount to 25 percent (or 2.5 percent of the total MSA payment) in FY 2011 and 50 percent (or 5 percent of the total MSA payment) for FY 2012.
- The Settlement Fund, administered by the Virginia Foundation for Healthy Youth, currently receives 10 percent of Virginia's total MSA payment to prevent youth smoking and childhood obesity.

Reduce funding for local departments of social services (\$5.5 million)

- This strategy increases the reduction included in the introduced budget for local departments of social services by eliminating the remaining state support for other purchased services.
- Other purchased services is a 'catch-all' category of expenditures that cannot be allocated to other funding resources. Specifically, these services are associated with protecting abused, neglected, or exploited adults and children.

- Approximately 65 percent of the funding is used for supplemental adult chore and companion services.
- Based on FY 2009 expenditures, approximately 20 percent of budgeted funds were unspent by localities; likely a result of an unwillingness to provide the required local match.
- The introduced budget cuts this spending by about \$800,000 each year; this action will eliminate the remaining support.

Reduce funding for chore and companion services (\$5.3 million)

- The chore and companion program provides home-based care services to needy adults. These services allow the clients to maintain some self-sufficiency and avoid the need for admittance to more restrictive facilities for as long as possible.
 - Companion services – assistance with daily living tasks such as bathing, shopping, transportation, and meal preparation.
 - Chore Services – performance of non-routine physically demanding home maintenance chores such as window washing, yard maintenance, and snow removal.
- Although section 63.2-1600 of the Code requires local boards (social services) to provide for the delivery of home-based services (chore and companion), the program is not mandated since the provision is subject to available appropriation.
- In FY 2007, 6,348 individuals (83 percent over age 60) received chore and companion services; however, this number dropped to 5,058 in FY 2008 and is expected to further decline in FY 2010. The primary reason for the decline is increased wages (i.e. minimum wage) since the services are primarily provided by minimum wage individuals with oversight provided by local departments of social services.
- There is no concrete data to determine the impact of reducing/eliminating the services supported with this funding. It is expected that many clients will be either re-located to a relative's home or be admitted to an adult living facility (ALF). It is also believed that a substantial percentage of these clients will qualify for the Auxiliary Grant program which subsidizes a client's income to provide admission to an ALF.
- The elimination of this program would impact an estimated 4,500 adults.
- The program currently (Chapter 781) has a budget of approximately \$7.8 million each year.
- The introduced budget reduces this amount by approximately \$0.7 million.
- This strategy increases the reduction included in the introduced budget for chore and companion services provided by local departments of social services to approximately 25 percent in FY 2011 and 50 percent in FY 2012.
- It is anticipated that localities will maximize the use of volunteers and nongovernmental organizations to assist with this population's needs.

Eliminate adult components of the general relief program (\$4.8 million)

- This strategy will limit the scope of the general relief program, leaving \$1.1 million each year, to support only unattached children who otherwise would enter foster care.

- The general relief program is an optional program designed to provide cash assistance and services to individuals with little or no income in an effort to avoid other, more intensive, welfare services.
- Localities can participate in this program at their discretion; but they must agree to match state funding on a 62.5 percent state/37.5 percent basis.
- There is currently \$3.5 million general fund budgeted for general relief; this strategy will reduce that amount by \$2.4 million.

Reduce support for unemployed parents cash assistance program (\$3.6 million)

- The Temporary Assistance for Needy Families (TANF)-Unemployed Parent (UP) program is the cash assistance program for families with two parents. The program eligibility requirements are identical to the regular TANF program; however, it is not in the state's TANF plan and completely funded with general fund dollars.
- The decision to separate UP from the TANF program was made, in part, by the very restrictive work participation requirements for two-parent households imposed on states by the federal Deficit Reduction Act of 2005.
- Two-parent households must have a ninety percent work participation rate, whereas single-parent households only have a fifty percent work participation rate.
- Programs that are funded with all general fund dollars are not subject to the federal work participation requirements and, therefore, cannot be sanctioned by the federal government for failing to meet the work participation rate.
- Based upon current economic conditions resulting in an increase in Virginia's unemployment rate, the UP caseload began to climb in July of 2009. For FY 2009, the caseload nearly doubled, increasing from 1,181 cases to 2,074 cases. Expenditures during this time, however, increased by seventy-two percent.
- Virginia's UP benefits (\$320 for a family of three with no other income) ranks as 16th lowest in the nation.
- The program is required by state law and there are no federal requirements.
- The introduced budget includes funding (\$7.3 million general fund) to cover the anticipated FY 2011 cost of maintaining benefits at current levels; however no support was added for FY 2012.
- This strategy reduces the funding added in the introduced bill by 50 percent.
- It is assumed that the Department of Social Services will restrict the program's eligibility to meet available resources.

Administrative budget for Department of Medical Assistance Services (\$3.1 million)

- Reduces funding for the personal services costs and other discretionary operational costs of the department by 10 percent.
- The contractual costs necessary for the claims processing, medical management and audit functions are not included.
- An equivalent amount of federal funding will be lost.

Local dental services (\$2.4 million)

- Eliminates funding for local dental services in 24 health districts.

- This is a non-mandated program that provides dental services to approximately 24,066 clients.

Virginia Health Care Foundation (\$2.2 million)

- The introduced budget reduces funding for the Virginia Health Care Foundation by 10 percent each year.
- This action reduces funding by an additional 15 percent in FY 2011 and 40 percent in FY 2012.
- The foundation provides access to primary health care for uninsured and medically underserved Virginians.

Eliminate funding for child advocacy centers (\$2.0 million)

- Child advocacy centers provide services to children and families who experience abuse and neglect through a multidisciplinary team approach.
- Per budget language (Chapter 781), the Department of Social Services (DSS) provides \$290,000 to various child advocacy centers each year. \$200,000 (\$100,000 general fund and \$100,000 TANF) for the centers in general and \$45,000 TANF for each of the centers in Bristol-Washington County and Lenowisco Planning Districts. In addition, the 2005 General Assembly appropriated \$1.0 million general fund in the Office of the Secretary of Health and Human Resources (OSHHR) for the development and enhancement of children's advocacy centers in Virginia.
- The introduced budget cuts funding for these organizations by \$305,000 (\$190,000 TANF and \$115,000 general fund).
- This strategy eliminates the remaining funds set-out in both the Department of Social Services (\$85,000 general fund) and the Office of the Secretary of Health and Human Resources (\$900,000 general fund).

Reduce Personal Attendant Services (\$1.9 million)

- Reduces Personal Attendant Services at the Department of Rehabilitative Services by 25 percent in the first year and 50 percent in the second year.
- It is expected this strategy will result in a significant reduction in the number of consumers utilizing this service. At this time that number is undetermined.

Eliminate general fund support for local domestic violence grants (\$1.8 million)

- Funding is used to provide grants to support the victims of domestic violence through local programs.
- Domestic violence services include: a 24-hour crisis telephone service; shelter; crisis counseling; supportive counseling; information and referral; transportation; coordination of services; legal advocacy; and basic services for children of domestic violence victims. The target population is women who are victims of domestic violence and have dependent children with them or are pregnant.
- Although there is state oversight, these programs have no state employees and range from local governments to non-profit entities.

- The domestic violence grants have been funded with TANF dollars for at least five years (FY 2003 through FY 2008.)
- The introduced budget supplants the TANF with general fund and reduces the overall state support by 10 percent.
- This strategy will eliminate the funding added in the introduced budget to offset the reduction of TANF for local domestic violence grants (\$555,000 FY 2011 and \$1.2 million FY 2012).

Virginia Association of Free Clinics (\$1.8 million)

- The introduced budget reduces funding for the Virginia Association of Free Clinics by 10 percent each year.
- This action reduces funding by an additional 15 percent in FY 2011 and 40 percent in FY 2012.
- Funding is used to purchase pharmaceuticals, medically necessary pharmacy supplies, and provide services to low-income, uninsured patients of free clinics throughout Virginia.

Virginia Community Healthcare Association (\$1.3 million)

- The introduced budget reduces funding for the Virginia Community Healthcare Association by 10 percent each year.
- This action reduces funding by an additional 15 percent in FY 2011 and 40 percent in FY 2012.
- The foundation provides access to primary health care for uninsured and medically underserved Virginians.

Reduce Department of Rehabilitative Services administrative budget (\$1.3 million)

- Reduces the Department of Rehabilitative Services administrative costs by five percent.

Reduce Department of Social Services administrative funding (\$1.2 million)

- This strategy reduces the administrative and support services budget in the Department of Social Services central office by approximately five percent each year.
- This amount excludes approximately \$40 million (\$20 million general fund) that is budgeted for unavoidable information technology charges (VITA).
- It is assumed that an equal amount of federal matching dollars will also be lost for a total reduction of \$2.4 million (general and federal) in the 2010-12 biennium.
- It is estimated that 15 to 25 positions will have to be eliminated to realize the savings outlined in this strategy.

Teen Pregnancy Prevention Initiative (\$0.9 million)

- Eliminates funding for the program that provides prevention education in the Richmond, Roanoke, Portsmouth, Norfolk, Eastern Shore, Crater, and Alexandria health districts.

Community service organizations (\$0.9 million)

- All community service organizations noted below have already been reduced by 15 percent each year in the introduced budget. This strategy:
 - Reduces funding for the AIDS resource and consultation centers and one local early intervention and treatment center by an additional 10 percent in FY 2011 and 35 percent in FY 2012. These early intervention centers provide medical treatment and support services to HIV infected low-income, underinsured, and uninsured persons living in the Lynchburg area. (\$0.2 million)
 - Reduces funding for Virginia Health Information by an additional 10 percent in FY 2011 and 35 percent in FY 2012. This nonprofit health data organization develops and implements health data projects that provide useful information to consumers and purchasers of health care, to providers including health plans, to hospitals, nursing facilities, and physicians. (\$0.1 million)
 - Reduces funding for the Southwest Virginia Graduate Medical Education Consortium by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The consortium was established to create and support medical residency preceptor sites in rural and underserved communities in Southwest Virginia. (\$0.1 million)
 - Reduces funding for the Patient Advocate Foundation by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The foundation assists uninsured patients in obtaining medically necessary health care and ancillary services. (\$0.1 million)
 - Reduces funding for St. Mary's Health Wagon by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The health wagon provides medical and dental services in the Central Appalachia area. (\$40,613)
 - Reduces funding for the Arthur Ashe Health Center by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The center provides support for the AIDS early intervention and counseling programs in Richmond. (\$40,055)
 - Reduces funding for the Bedford Hospice House, Inc. by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The healthcare organization provides end-of-life care for terminally ill individuals who are unable to remain in their home. (\$40,500)
 - Reduces funding for community-based sickle cell grants by an additional 10 percent in FY 2011 and 35 percent in FY 2012. Grants are distributed to community-based programs that provide assistance, education, and family-centered support for individuals suffering from sickle cell disease. (\$40,500)
 - Reduces funding for Alexandria Neighborhood Health Services, Inc. by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The center provides accessible, culturally sensitive, preventative, prenatal, primary and minor pediatric illness care to women and children in Alexandria. Most of its clients are Hispanic, female, and uninsured. Almost half of the clientele is comprised of children who under five years of age. (\$36,792)
 - Reduces funding for the Community Health Center of the Rappahannock Region by an additional 10 percent in FY 2011 and 35 percent in FY 2012. Funding is provided for the health center to address the growth in clinic patients served. (\$22,500)
 - Reduces funding for the Jeanie Schmidt Free Clinic by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The clinic provides access to healthcare to low-income residents in Fairfax County. (\$20,250)

- Reduces funding for the Mission of Mercy dental project by an additional 10 percent in FY 2011 and 35 percent in FY 2012. Funding is used for purchasing dental equipment and supplies to provide dental services for Virginia's uninsured. (\$11,250)
- Reduces funding for the Chesapeake Adult General Medical Clinic by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The clinic provides medical care for non-insured adults with chronic illness living in the South Norfolk area. Services provided by the clinic include diagnosis, treatment, medications and education. (\$9,197)
- Reduces funding for the Fan Free Clinic by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The clinic is operated by the Richmond AIDS Ministry and provides housing, nursing services, and education. (\$7,369)
- Reduces funding for the Olde Towne Medical Center by an additional 10 percent in FY 2011 and 35 percent in FY 2012. The center provides general medical, pediatric, women's health, immunizations, family planning; dental and home health care services in Williamsburg. (\$5,416)
- Reduces funding for the Louisa County Resource Council by an additional 10 percent in FY 2011 and 35 percent in FY 2012. This council implements initiatives to connect low-income individuals to medical and dental services. Services include locating appropriate care, transportation, and payment of medical services. (\$4,134)

Limit Medicaid waiver services (\$0.9 million)

- Reduces the annual limit from \$5,000 to \$3,000 per individual for environmental modifications and assistive technology services (the limit is separate for each service).
- These services are provided in the Intellectual Disabilities, Individual and Family Developmental Disabilities Support, Elderly or Disabled with Consumer Direction, HIV/AIDS and Technology Assisted Medicaid waivers.
- In addition, this strategy imposes a lifetime limit of \$15,000 per service for each individual.

Replace administrative support services with nongeneral funds (\$0.9 million)

- Currently the Department for the Blind and Vision Impaired (DBVI) makes an annual payment to the Department of Rehabilitative Services (DRS) for the administrative functions such as HR, fiscal, purchasing, and IT. DBVI also pays, using their general fund, DRS for the same services provided to the Virginia Industries for the Blind (VIB). This strategy will require VIB to pay their own share which will free up general fund at DBVI.

Consolidate disability service agencies into the Department of Rehabilitative Services (\$0.8 million)

- Eliminates the Department for the Blind and Vision Impaired (DBVI), the Virginia Rehabilitation Center for the Blind and Vision Impaired, the Department for the Deaf and Hard of Hearing (DDHH), and the Virginia Board for People with Disabilities (VBPD) into the Department of Rehabilitative Services (DRS).
- All services provided by these agencies will continue to be provided by DRS.

- The savings associated with this strategy comes from eliminating the positions of the director from DBVI, DDHH, and VBPD as well as other efficiencies.
- At this time there are no deputy directors or clear successor at these agencies to assume the roll of leadership and guide the services to the respective consumer groups.
- A review of federal legal requirements for the structure of state-provided services to these populations must be undertaken before finalizing this action.

Reduce funding for the Early Childhood Foundation (\$0.7 million)

- Established in 2005, the Foundation is a public-private partnership that provides grants, training and technical assistance in an effort to implement long-term strategies for improving school-readiness for all young children, ages birth-5.
- The Foundation currently (Chapter 781) receives \$1.5 million annually.
- The introduced budget reduces earmarked funding provided to the Virginia Early Childhood Foundation by 15 percent (\$225,000 annually).
- This strategy will increase that reduction to 25 percent in FY 2011 (\$1.125 million) and 50 percent in FY 2012 (\$0.75 million).

Central office dental program activities and administration (\$0.7 million)

- Reduces funding for child and adult oral health programs, clinical oral health surveys, oral cancer initiatives, nursing home training, and community water fluoridation.

Reduce Department for the Blind and Vision Impaired administrative funding (\$0.6 million)

- Reduces administrative expenses by five percent at the Department for the Blind and Vision Impaired \$292,557 each year.
- This strategy in combination with other proposed strategies may result in the agency not being able to meet the maintenance of effort (MOE) for the vocational rehabilitation grant. If that happens the agency will lose a portion of the federal match and may be fined by the federal Department of Education.
- Other sources of MOE may be available.

Eliminate funding for the Earned Income Tax Coalition (\$0.4 million)

- The Earned Income Tax Coalition is a non-state entity that provides tax preparation services to Virginians who may be eligible for the federal Earned Income Tax Credit.
- The Coalition currently (Chapter 781) receives \$218,500 general fund each year.
- The introduced budget reduces the earmarked funding by fifteen percent.
- This strategy will eliminate the remaining state support (\$185,725 each year).

Office of Minority Health and Public Health Policy (\$0.3 million)

- Eliminates the Information Technology Specialist position.
- Eliminates funding used to administer scholarship programs.
- Eliminates the Program Support Technician position.
- Eliminates the administrative oversight of the healthcare workforce and scholarship programs.

Reduce child welfare training and support contract (\$0.2 million)

- This savings strategy reduces by 50 percent the amount of a contract that provides training and support services to adoptive and kinship parents.
- Some of these functions will be absorbed through existing family placement specialists.

Public Guardian and Conservator program (\$0.1 million)

- Reduces funding for the Public Guardian and Conservator program by five percent.
- The Department for the Aging administers this program by providing grants to local not-for-profit organizations to provide court-ordered guardianship services to incapacitated individuals.
- This program is considered the guardian of last resort in the Commonwealth.
- This reduction is in addition to the five percent included in the introduced budget.

Eliminate the Child Day Care Council (\$0.1 million)

- The Child Day-Care Council is authorized by the Code of Virginia to adopt regulatory standards for licensure and operation of child day care centers in Virginia.
- The council is comprised of a minimum of 28 members who are appointed by the Governor.
- The council's elimination will free the out-of-pocket administrative support costs incurred by the department. This strategy will capture these savings.
- The Council's responsibilities will be absorbed by the State Board of Social Services.

Eliminate library operations at the Department for the Deaf and Hard-of-Hearing (\$0.1 million)

- The agency will discontinue the operations of its resource library.
- On average 25 individuals utilize this program each month.
- The contents of the library will be transferred to a local nonprofit or outreach contractor that serves the deaf and hard of hearing. Library services have dropped significantly over the past few years.

Dental Hygienist Loan Repayment Program (\$0.1 million)

- Eliminates the loan repayment program that places dental hygienists in underserved areas throughout the state.

State Pharmaceutical Assistance Program (\$0.1 million)

- Reduces funds used to provide insurance premiums, coinsurance payments, and other out of pocket costs for approximately 146 individuals meeting the eligibility criteria in the Virginia AIDS Drug Assistance Program.
- Strategy reduces funding by an additional 20 percent in FY 2012.

Agriculture & Forestry

Agriculture and Forestry accounts for \$82.3 million or .3 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

General fund appropriations for Agriculture and Forestry between FY 2000 and FY 2010 has increased by \$3.3 million or 8.8 percent. The principle reasons for this growth:

- Increase in funding for the animal control program in the Department of Agriculture and Consumer Services.
- Increase in fire equipment purchases.
- Increase in forest management dollars.
- Merge the Department of Charitable Gaming into the Department of Agriculture and Consumer Services.
- Establish the Department of Forestry Water Quality Improvement Team.

The introduced budget contains \$7.8 million in general fund reductions for the biennium in Agriculture and Forestry.

Spending Proposals:

Appropriate the wine liter tax on Virginia Wine into the Wine Promotion Fund (\$1.5 million)

- Deposits and appropriates revenue of \$745,000 in both years from the wine liter tax on Virginia wines into the Wine Promotion Fund.

Savings Items:

Supplant funds by an increase in the inspection fee for food processors at the Department of Agriculture and Consumer Services (\$1.1 million)

- Increases food establishment inspection fee from \$40 to \$100.
- Currently, about 9,000 establishments are subject to the fee, not including establishments that refuse to pay, have been exempted from inspection, or are paying fees to local health departments.
- The additional fee revenue is estimated at \$540,000 in FY 2011 and FY 2012.
- The increase is in proportion to the increase by the Department of Health for restaurants.

Revert unexpended Master Equipment Lease Purchase funding (MELP) at the Department of Forestry (\$600,000)

- The savings from this strategy would be \$600,000 in FY 2012.
- Beginning in FY 2011, the payments under the 2002 MELP will terminate. This strategy would remove a portion of that funding from the base (a portion of the funding would remain in FY 2011 to replace existing hand-held radios used by firefighters).
- The Department has funding in its base for MELP purchases authorized in 2002. The funding was intended to finance purchases of tractors and tractor transports used in fire fighting activities over a seven year period and has been completed.

Commerce and Trade

Commerce and Trade accounts for \$279.4 million or one percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

General fund appropriations for commerce and trade between FY 2000 and FY 2010 has decreased by \$10.5 million or nine percent. The principle reason for this decline in growth:

- The decline in spending is primarily attributable to budget reductions.
- In addition to reductions, new spending during this time included funding for the Fort Monroe Federal Area Development Authority and increased funding for economic development, such as the Enterprise Zone Grant Program.
- Other actions include budgeting for several incentive programs, such as the Virginia Investment Performance Grants, semiconductor grants, and the Governor's Motion Picture Opportunity Fund and Governor's Development Opportunity Fund within the secretariat.

The introduced budget contains \$17.6 million in general fund reductions for this functional area.

Spending Proposals:

Economic Development and Business Recruitment Initiatives (\$50.0 million)

- Add funding to increase business opportunity, jobs, and economic vitality in Virginia (\$50 million). The incremental gains from the additional funding can provide net benefits to the Commonwealth in excess of \$311 million over a five-year period. The \$50 million includes:
 - Increase Governor's Development Opportunity Fund (GOF) by \$12.1 million because it is a critical economic deal-closing fund. It enables the Commonwealth to compete for major new investment and jobs with other states and countries, many of which offer significantly higher public incentives than Virginia.
 - Establish with \$5 million a fund to assist with site planning and site development work for prospective Major Employment and Investment (MEI) projects
 - Establish, through the Virginia Economic Development Partnership (VEDP), offices in China, India, and the United Kingdom, and expand the VALET program with \$2 million for the biennium. These locations will allow VEDP to capitalize on recent trade missions and the interest Indian and Chinese companies have in establishing corporations in the state.
 - Implement an aggressive national/international advertising campaign, marketing, and sales support through the Virginia Economic Development Partnership \$5 million for the biennium to market the business climate in Virginia.

- Invest in bioscience “wet lab” facilities with \$3.0 million (\$1.5 million in each year) to establish a competitive grant program to assist localities to develop wet lab space. The purpose of the program is to make the Commonwealth a more competitive location for the biosciences industry. The new competitive grant program will be used to construct, improve, furnish, equip, maintain, acquire, and renovate biotechnology “shell buildings” intended to attract new, and accommodate existing and growing, biosciences and technology companies.
- Provide funding to the Tourism Corporation for domestic and international marketing activities through \$7.2 million (\$3.6 million in each year). The funds will be used for marketing and advertising in the Washington DC, Philadelphia, and Charlotte areas and for cooperative grants. Additional funds put toward marketing will generate approximately \$184 million in additional revenue and create 2,200 new jobs.
- Increase the Governor’s Motion Picture Opportunity Fund (GMPOF) by \$2 million in FY 2011 and is a performance based incentive targeted toward the film industry. The additional funds put toward film promotion will generate approximately \$29 million in revenue and create 226 jobs.
- Provide \$8.5 million for the biennium to increase Virginia Jobs Investment, Virginia Small Business Financing Authority’s Loan Guarantee, and Business One Stop Programs to help businesses get started and provide training to new employees.

Savings Items:

Reduce funding for homeless programs (\$6.0 million)

- General fund support included in the introduced budget bill to supplant the loss of Temporary Assistance for Needy Families funds for homeless programs is reduced by one-half in FY 2011 and eliminated in FY 2012.
- Funding for Child Services Coordinators is reduced beginning in FY 2012.

Eliminate funding for mortgage assistance counseling (\$0.3 million)

- Eliminates funding in FY 2012 for foreclosure counseling services statewide.

Natural Resources

Natural Resources accounts for \$189.0 million or 0.6 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

General fund appropriations for Natural Resources between FY 2000 and FY 2010 have decreased by \$37.3 million or 25.7 percent. The principle reasons for this decline:

- Elimination of program areas
- Reduction of services
- Shifting general fund costs to nongeneral fund resources

The introduced budget contains \$16.8 million in general fund reductions for this functional area.

Spending Proposals:

There are no significant spending proposals in this secretarial area

Savings Items:

Eliminate or reduce services, increase fees or close locations (\$12.0 million)

- Decrease funding in the Department of Conservation and Recreation by closing five state parks and eliminating the associated wage staff (\$1.0 million).
- Eliminate general fund support for agricultural best management practices and continue the program with increased recordation fees (\$10.0 million).
- Reduce conservation grants and equipment purchase funding (\$1.0 million).

Higher Education

Virginia's higher education institutions and related entities account for \$3.1 billion or 10.1 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

General fund appropriations for the higher education institutions and related entities between FY 2000 and FY 2010 has increased by \$203.2 million or 14.2 percent. The principle reasons for this growth include:

- A 25 percent growth in the number of in-state students attending higher education
- Growth in financial aid for students
- Increased state support for research to leverage private and federal funds and enhance economic development
- Bolstering educational programs to support economic development projects and federal mandates

The introduced budget contains \$273.0 million in general fund reductions for this functional area.

Because higher education institutions will be taking the equivalent of approximately a 26 percent reduction in general fund support by FY 2012 when accounting for reductions approved last year and proposed this year, that tuition and fees are rising due to reductions in general fund support, and that a strong higher education system is instrumental for enhanced economic development in Virginia, Governor McDonnell is not proposing many new cuts in this arena.

Savings Items:

Tuition Assistance Grant Program (\$19.8 million)

- Provides Tuition Assistance Grant (TAG) Program funding only for students eligible for financial aid. (\$9.9 million in each year).

Eminent Scholars Program (\$6.8 million)

- Eliminates funding to attract and retain eminent scholars at Virginia's colleges and universities. HB/SB 30 reduced the program by \$1.2 million, or 15 percent.
- \$3.4 million is saved in each year.

State Council of Higher Education for Virginia (SCHEV) (\$1.5 million)

- Reduces funding for the State Council of Higher Education for Virginia (SCHEV) through reorganization, reductions, efficiencies, and program elimination in FY 2012. (\$1.5 million).

Higher Education Centers (\$1.3 million)

- Reduces general operations to realize additional savings. The proposed reductions, along with the actions included in HB/SB 30, would result in a 15 percent reduction at each entity.

Other Education

Virginia's museum and cultural entities account for \$109.5 million or 0.4 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

General fund appropriations for these entities between FY 2000 and FY 2010 has decreased by \$318,046 or 14.2 percent. Although several entities experienced an increase in funding during this time period, the principle reasons for the decrease in funding in this functional area include:

- Reductions in state aid for local libraries and state library operations
- Removal of funding no longer required after the 2007 400th Anniversary of Jamestown

The introduced budget contains \$13.8 million in general fund reductions for this functional area.

Savings Items:

Museums and Cultural Entities (\$4.4 million)

- Reduces general operations to realize additional savings.
- The proposed reductions, along with the actions included in HB/SB 30, would result in a 15 percent reduction at each entity, with the exception of Virginia Commission for the Arts. The total reduction for Virginia Commission for the Arts is 26 percent.
- This action will reduce funding by \$2.1 million in FY 2011 and \$2.3 million in FY 2012.

General Government

General Government accounts for \$ \$1.8 billion or 5.9 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

General fund appropriations for General Government between FY 2000 and FY 2010 have increased by \$324.0 million or 18.9 percent. The principle reasons for this growth:

- During this period, reimbursement to localities for personal property tax relief grew from \$398.1 million in FY 2000 to \$950 million in FY 2010.
- In FY 2000, \$172.6 million was provided for salary increases for state employees. No funding for salary increases is included in FY 2010.
- The FY 2010 central account appropriation includes a \$156.3 million reduction for employee benefits and a \$50 million reduction to aid to locality funding. No such reductions were made in FY 2000.
- During this period, technology agency budgets decreased by \$11.1 million, reflecting a shift of technology budget dollars from the technology agencies to the agencies receiving the information technology services.
- Elimination of general fund for distribution of alcohol beverage control profits and wine taxes to localities
- Elimination of one-time funding for a mandatory deposit to the Revenue Stabilization Fund in FY 2010

The introduced budget contains \$2.06 billion in general fund reductions for this functional area.

Spending Proposals:

Personal Property Tax Relief (\$1.9 billion)

- Restores the \$950 million annual GF appropriation for the Personal Property Tax Relief program.

Savings Items:

Aid to localities reduction (\$50 million)

- Restores the locally elected reduction included in Central Appropriations which was removed in the introduced budget.
- Localities may carry out these reductions using one of the following methods:
 - Identify to the state from a list of aid to locality programs established by the Governor those areas where they want the reductions to be made,
 - Make a reimbursement payment directly to the Commonwealth for all of its reduction amount, or
 - Choose a combination of program reductions and reimbursement payment.

Eliminate reserve funding for estimated mandatory deposit to the Revenue Stabilization Fund (\$40 million)

- Eliminate funding in FY 2012 that was reserved for anticipated mandatory deposit to the Revenue Stabilization Fund in FY 2013.
- Does not impact mandatory payments estimated to be due in FY 2013-2014

Revenue Actions (\$21.1 million)

- Capture additional revenue from back taxes collected during the Department of Taxation's "Get Square" back tax amnesty program.
- Actual collections in FY 2010 exceeded the amount estimated in the introduced budget bill.

Reduce discretionary expenditures in the Department of Taxation (\$4.8 million)

- Capture additional nonpersonal services savings in telecommunication costs, office supplies, and temporary staff support; capture additional turnover and vacancy savings; reduce the use of technology consultants and computer software purchases; capture savings generated by employees parking in a new state-owned space deck once it is complete.

Capture balances (\$2.8 million)

- Captures agencies' unobligated nongeneral fund balances and transfers the amount to the general fund
- Major sources are as follows:

Agency	Fund	Fund Title	Balances
841	0461	Aviation Fees And Taxes	\$2,000,000
194	0501	Consolidated Laboratory Services	\$500,000
222	0900	Dedicated Special Fund	\$205,072
765	0202	Central Registry Search Fees-Non-Federal Funds	\$100,000

Suspend per diem payments in the Legislative and Judicial branches and Lieutenant Governor (\$1.6 million)

- Consistent with the practice started by Executive Branch agencies in FY 2010, suspends funding for per diem payments paid by agencies in the Office of the Lieutenant Governor and the Legislative and Judicial Branches, excluding payments for jury duty.
- For the Legislative Branch as , the savings are based on 12 months expenditures for the Commission on Intergovernmental Cooperation and the Joint Legislative Audit Review Commission and on nine months expenditures, which excludes session months, for the House of Delegates, Senate of Virginia, and the study commissions

Capture Print Savings (\$0.8 million)

- Capture general fund savings achieved through reduced printing expenditures, statewide, particularly for those printing materials well suited for electronic distribution on the internet.

- This strategy extends policy enacted by the General Assembly for FY 2009 and FY 2010 in Chapter 781 and imposes transfers of \$375,000 in FY 2011 and FY 2012 into Central Accounts.
- Agencies will be required to print fewer copies of materials and/or produce electronic copies.

Retract funding for information technology rate changes (\$0.8 million)

- Remove funding supplements related to rate changes submitted by VITA to JLARC for approval in November 2009.
- JLARC postponed approving the rates.
- Rate changes were submitted for five new rates as a continuing refinement of chargeback schedules needed to align revenue with managed services charges Northrop Grumman will be employing.
- The new rates are for network connection services, mainframe server ports, disk storage, server backup, and internet access services.
- The genesis of the rate changes was an APA audit which cited VITA for not charging for certain services provided to agencies.
- Until recently, information to bill agencies for these services was not available from Northrop Grumman.

Department of Human Resource Management (\$0.4 million)

- Closes the career center which offered job search assistance to laid off employees and the public. Employees and perspective employees can utilize the Virginia Employment Commission.
- Eliminates equal employment investigator wage employee thereby terminating the mediation program. Mediation services can be provided by the Department of Employee Dispute Resolution which in the introduced budget bill is being merged into the department.

Transportation

Transportation accounts for \$82.0 million or 0.3 percent of the total general fund operating budget in the introduced budget bill for the 2010-2012 biennium.

Funding for Transportation between FY 2000 and FY 2010 has decreased by \$20.8 million or 43.8 percent.

- Decreased support for debt service for bonds issued for the Route 58 Corridor Development.
- Decreased appropriation to the Department of Aviation for executive plane travel.
- One-time general fund reductions related to the general fund support provided in the 2007 Transportation Initiative.

The introduced biennial budget contains no reductions for this functional area and Governor McDonnell is not proposing any additional biennial reductions.