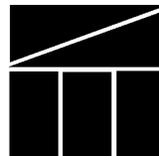


Governor Gilmore's proposed Executive Budget for the 2000-02 biennium

*A briefing for the Senate Finance
Committee, the House Appropriations
Committee, and the House Finance
Committee*

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Resources and spending in Governor's budget

2000-02
biennium
GF \$ in millions

General fund resources

Balance	\$509.5
Additions to balance	102.3
Revenue	23,415.5
Transfers	<u>705.1</u>
Total resources	24,732.4

General fund spending

Current services (base budget)	<u>21,479.1</u>
Difference (resources vs. current services)	3,253.3

Additional spending:

K-12 education	655.8
Higher education	108.3
Technology	37.4
Tourism and other economic development	53.7
Human resources	274.7
Public safety	249.6
Transportation	409.8
Natural resources	37.8
Employee compensation and benefits	127.8
Revenue stabilization fund	200.1
Car tax relief	878.1
General government/nonstates/other	15.3
Capital outlay	<u>199.8</u>
Total additional spending	3,248.2

Funding balance **\$5.1**

Highlights of the Governor's 2000-02 budget

Governor Gilmore's proposed budget:

- continues and expands meaningful tax relief for Virginia's working men and women
- promotes increased tourism and economic development
- leverages the state's assets to expand access to technology for all Virginians and bridges the "digital divide"
- intensifies the fight against illegal drugs with the Substance Abuse Reduction Effort (SABRE) initiative
- fully funds the K-12 Standards of Quality to the highest level in the history of Virginia and continues support for implementation of the Standards of Learning
- provides for additional teachers, expands a program that will help ensure all students are able to read by the end of the third grade, and initiates a math program to ensure students learn basic math skills
- calls for the latest technology tools to provide additional instruction, remedial education, and testing for public school students
- creates an important new higher education research and development initiative
- pursues innovative transportation initiatives
- continues efforts to improve care and services for our most vulnerable Virginians
- implements a comprehensive workforce strategy
- builds on efforts to improve water quality

Continuing meaningful tax relief

- The final two phases of car tax relief will go into effect during the 2000-02 biennium: a 70 percent reduction on January 1, 2001, and final elimination on January 1, 2002
- The four-year phase-in of a reduction in the food tax (one-half percent per year) will begin January 1, 2000
- Together with other tax relief efforts already begun, this will bring the total tax relief to Virginia's families to over \$1.6 billion annually

Building tourism and enhancing economic development

The Governor's proposed budget includes funding to:

- establish regional visitor centers around the state that will use state-of-the-art technology and will showcase regional and statewide attractions (*\$6.0 million GF*)
- develop African-American Heritage Trails (*\$400,000 GF*)
- promote Virginia's tourist attractions (*\$7.3 million GF*)
- preserve Civil War battlefields through funding for the Virginia Land Conservation Fund (*\$3.4 million GF*)
- fund the Motion Picture Opportunity Fund to attract increased film production activity to Virginia (*\$2.0 million GF*)
- establish the Virginia Business Information Center, a clearinghouse of resources, information, research, and services that businesses can access through a toll-free number, the Internet, or by visiting the center (*\$1.0 million GF*)
- improve opportunities for disadvantaged businesses through an electronic one-stop information source on procurement opportunities and a program to assess the technology needs of businesses and help them acquire technology (*\$500,000 GF*)
- expand and improve State Welcome Centers (*\$8.0 million NGF*)
- provide support for the Virginia Commercial Space Flight Authority (*\$860,000 GF*)
- increase capitalization of the Capital Access Fund for Disadvantaged Businesses (*\$700,000 GF*)
- fund the Advanced Shipbuilding and Carrier Integration Center (*\$750,000 GF for operating and \$6.4 million GF for debt service*)
- increase international trade funds to enable Virginia companies to participate in trade shows and trade missions and to bring foreign buyers to Virginia (*\$480,000 GF*)

Providing access to technology for all Virginians

The Governor's budget includes funds to:

Address the “digital divide” by

- developing a statewide plan, to be coordinated by the Secretary of Technology, to move toward ensuring access to technology for all Virginians
- increasing access to technology for citizens through a competitive grant program to help community service organizations make computers and Internet access available (*\$5.0 million GF*)
- including funding for the “Infopowering the Commonwealth” initiative to provide desktop computers and Internet connections at all public libraries (*\$3.7 million GF*)

Attract and grow technology businesses in Virginia by

- creating a technology competitiveness fund to increase university research in technology and biotechnology, resulting in increased technological and economic development (*\$20 million GF*)
- establishing the Virginia Technology Internship Program to help meet the demand for technology workers (*\$1.3 million GF and \$2.5 million in tax credits*)
- using technology to help resolve some of the Commonwealth's transportation challenges by creating financial incentives to promote teleworking (*\$10 million from the Priority Transportation Fund*)

Educate Virginians in the use of technology by

- developing a major computer-based instructional, remedial, and testing program at the high school level, including high-speed Internet access in every classroom (*\$16.6 million GF and \$84.7 from the Literary Fund*)
- developing educational websites for parents and educators (*\$410,000 GF*)

Toughening the fight against drugs

The Governor's Substance Abuse Reduction Effort (SABRE) targets drug dealers and kingpins who prey on children through:

- stronger sentences for dealers who sell drugs in drug-free school zones or who furnish firearms to a child
- revised or new penalties for drug offenders
- cash bounties for informants against drug dealers

(\$4.7 million for the package of legislation)

The Governor's budget also includes:

- additional funding to improve community- and correctional center-based drug treatment and prevention programs to ensure mandatory drug testing and treatment for first-time drug offenders and those being released from prison *(\$20.0 million GF)*
- the creation of a new State Police narcotics eradication unit to serve as a rapid-response division available to help local law enforcement officials fight drugs in their communities *(\$16.8 million GF)*

Other law enforcement initiatives include:

- honoring the state's commitment through enhanced funding for local law enforcement under HB 599 *(\$48.7 million GF)*
- fully funding the 9.3 percent pay increase provided to correctional officers by the 1999 General Assembly *(\$51.9 million GF)*

Continuing to support rigorous education in grades K-12

Governor Gilmore's budget provides almost \$643.6 million in new funding for the biennium to support public elementary and secondary education, including:

- Additional funding to maintain the state's commitment to existing educational programs, including fully funding the Standards of Quality (*\$577 million GF*)
- Over \$59.5 million to strengthen the continued implementation of the Standards of Learning and the Standards of Accreditation, through initiatives to:
 - expand the Early Reading Intervention Program to kindergarten through third grade to help ensure all students are able to read and pass the reading SOL by the end of the third grade (*\$17.1 million GF*)
 - provide cutting-edge technological tools to support SOL instruction, remediation, and testing in high schools and to achieve:
 - 100 percent access to the Internet for all students
 - a five-to-one ratio of students to computers
 - computerized testing of end-of-course SOLs by 2003
- (*\$16.6 million GF*)
- implement a new remedial math program for students in seventh and eighth grades to ensure that students can pass the eighth grade math SOL and are prepared for the end-of-course math SOLs (*\$9.8 million GF*)
- identify schools not meeting the Standards of Accreditation, and provide them with the necessary assistance to help them revise their curricula (*\$4.5 million GF*)
- improve SOL test information provided to students, parents, teachers, and administrators (*\$11.6 million GF*)

Other initiatives for K-12 education

The Governor's budget includes over \$7.0 million from the general fund for other education initiatives. Major components include:

- new mentor teacher and alternative licensure programs to address the critical teachers shortages in math, sciences, technology, and other subjects (*\$812,797 GF*)
- a special education program for incarcerated youth (*\$3.4 million GF*)
- establishment of a Governor's School for Agriculture (*\$150,000 GF*)

In addition, the Governor has maintained his commitment to two previously supported initiatives. For the biennium, his budget continues to:

- provide \$110 million for school construction to address school division's infrastructure needs
- grant flexibility to local school divisions to use lottery proceeds to address their educational needs as they see fit

Sustaining Virginia higher education opportunities

The Governor's budget includes:

- funding to ensure that instructional faculty are paid at the 60th percentile of each institution's peer group (*\$44.2 million GF*)
- additional funding support to address enrollment growth (*\$16.6 million GF and \$15.3 million NGF*)
- funding to purchase \$79.7 million in new equipment (*\$14.4 million GF for debt service*)
- funds for Norfolk State University to enhance library resources, support the Applied Research Center, support faculty and staff development, and enhance the delivery of instruction through technology (*\$6.7 million GF*)
- funds for Virginia State University for academic programs, completion of the last phase of a campus-wide electronic communications system, and expansion of three existing and two new undergraduate programs. Funding is also included to continue the phase-in of the 100 percent state match of federal funds for cooperative extension programs (*\$6.7 million GF*)
- specific funding for George Mason University to alleviate existing technology labor deficiencies in Northern Virginia, reduce class sizes, attract and retain students, and enter into an agreement for administrative and financial systems (*\$15.0 million GF*)

Establishing a technology initiative in higher education

The Governor's budget proposes a new Technology Competitiveness Fund for improved research and development at institutions of higher education (\$20 million GF)

- The fund will:
 - match competitive federal or private research grants in technology and the hard sciences
 - upgrade key academic departments to help attract more public and private research funding and to help induce industries to locate and expand in Virginia

Addressing capital outlay needs at institutions of higher education

The Governor's proposed budget provides \$511.1 million for capital outlay at institutions of higher education, including:

- Maintenance reserve *\$61.5 million GF*
- Equipment restoration and critical infrastructure *\$50.5 million GF*
- Critical infrastructure, renovation, and new construction *\$185.4 million NGF*
- Projects funded with 9(c) and 9(d) debt *\$213.7 million NGF*

Meeting other capital needs in Capitol Square

The Governor's proposed budget addresses capital needs to enhance the structural integrity and utilization of Capitol Square

- Renovation of the old Finance Building (*\$14.1 million from the Virginia Public Building Authority*)
- Renovation of the exterior, elevators, and windows in the General Assembly Building (*\$3.5 million from the Virginia Public Building Authority*)
- Authorization for the Department of General Services to enter into a capital lease for the construction of a new Consolidated Laboratories Building

In addition to these capital projects, Governor Gilmore's biennial budget proposes language to:

- sell Main Street Station to the City of Richmond
- lease the 2000 East Cary Street Warehouse to the Virginia Holocaust Museum
- construct a new parking facility for state employees

Employing innovative short- and long-term strategies to resolve transportation challenges

Innovative Progress: Improving Transportation in Virginia, the Governor's transportation initiative, will begin to improve transportation in the Commonwealth during the 2000-02 biennium by:

- repaying \$200 million to the Transportation Trust Fund that was borrowed earlier this decade to address severe budgetary shortfalls
- accelerating \$590 million in federal funding to accelerate 90 projects in the current Six-Year Transportation Improvement Plan
- implementing an improved electronic system to collect fuel taxes that will move the point of initial taxation to wholesale distributors of fuel, rather than retailers. This approach will increase revenues by \$58 million during the 2000-02 biennium and \$210 million over the next six years
- establishing a new Priority Transportation Fund to address the critical, high-priority, and most expensive transportation needs in the state -- immediately and in the future. The fund will receive general fund monies and 40 percent of the unobligated tobacco settlement money (*\$223.9 million GF*)
- providing funds to capitalize the Virginia Airports Revolving Fund to help Virginia's airports expand commercial air service throughout Virginia (*\$25 million from the Priority Transportation Fund*)

Meeting the needs of the state workforce through employee compensation and benefits

Across-the-board pay increase (*\$51.4 million GF*)

- 2.4 percent on November 25, 2000 for state employees who meet expectations or demonstrate higher performance

New classified pay structure (*\$2.0 million GF*)

- Implementation of the anticipated recommendation of the Commission on the Reform of the Classified Compensation Plan of a new pay plan that replaces the existing pay grades and steps with much broader pay bands

Deferred compensation cash match (*\$17.3 million GF*)

- Continuation of funding for a cash match of up to \$10 per paycheck for each state employee who participates in the deferred compensation program

Health insurance premiums (*\$32.3 million GF*)

- Funding is included in the 2000-2002 budget to pay for an increase in the cost of health insurance premiums

Workforce planning (*\$180,000 GF*)

- Implementation of a workforce planning program that will include strategic analysis of skill shortages, retirement, and turnover, as well as the projected future needs of the state work force

Virginia Retirement System (*\$86.4 million GF in employer contributions*)

- Prefunding of the annual cost of living increases to retirees funded one year ahead of schedule
- Begin phase-in of prefunding of post-retiree health credit to ensure it is actuarially sound

Reform of the state's grievance process (*\$52,000 GF and \$731,934 NGF*)

- Improve quality of hearing officers program
- Appellate review for grievance proceedings

Taking advantage of productivity savings

- Productivity is dramatically increasing in the U.S. The productivity of workers grew at a 4.9 percent rate during the third quarter of 1999
- Agencies will be asked to develop a plan for achieving productivity savings during the biennium
- The proposed budget establishes a productivity savings account amounting to \$91.7 million for productivity savings
- Agencies can achieve productivity savings by the use of technology and other productivity-enhancing methods
- The Governor's proposed account amounts to less than 0.37 percent per agency

Creating a comprehensive workforce strategy

The Governor's proposed budget includes:

- New funding for the federal Workforce Investment Act to coincide with the phase out of the old Job Training Partnership Act as the new federal law on workforce development takes effect (*\$37 million NGF*)
- Funding for the *Virginia Workforce Strategy*, a key part of the Governor's economic development plan to help Virginia businesses compete in international markets by helping to provide highly trained, qualified and educated workers (*\$24 million NGF*)
- Funding through the *Virginia Workforce Strategy* for:
 - community colleges: workforce development coordinator positions, an employer-focused economic development center, and full implementation of noncredit and industry-related programs (*\$4.9 million NGF*)
 - businesses: additional funding for the Virginia Microelectronics Consortium, enhancement of the registered apprentice program, a marketing program to retain skilled technology workers, and a retraining program for employees (*\$13.7 million NGF*)
 - an office for the Department of Business Assistance for workforce services, and a training center, both in Southwest Virginia (*\$1.2 million NGF*)
 - a statewide director of workforce development and expansion of the electronic workforce delivery system (*\$4.2 million NGF*)

Continuing to improve care for the most vulnerable Virginians

The Governor's proposed budget includes:

- continued funding to support improved care and treatment for citizens with mental retardation and mental illness (*\$23.8 million GF in new funding, on top of \$162 million for the 1998-2000 biennium*)
 - This funding includes a new program to develop a secure program to identify, assess, and treat persons with violent sexual disorders (*\$4.0 million GF*)
- authorization to use proceeds from sale of surplus land at state-owned mental health and mental retardation facilities, to be deposited into revolving trust fund to address restructuring and unmet needs
- new funding to increase nursing home per diem payments and for personal care services (*\$20.0 million GF and \$21.6 million NGF*)
- funding for the Caregiver Respite Care Program to provide services for families that care for aging relatives (*\$500,000 GF*)
- increased rehabilitation teachers for the blind and statewide coordination of the Safe Return program (*\$550,000 GF*)
- establishment of an Elder Rights Center, with a toll-free hotline for seniors and their families (*\$200,000 NGF*)
- a new gubernatorial commission to study long-term care expenses and conference on aging and long-term care issues (*\$225,000 GF*)

Protecting Virginia's environment and improving water quality

Using the Water Quality Improvement Fund (*\$34.0 million GF*) to support crucial environmental initiatives, including:

- grants to reduce point and nonpoint source pollution (*\$10.5 million*)
- matching funds for combined sewer overflow control programs in Richmond and Lynchburg (*\$8.0 million*)
- continued participation in a federal program to build riparian buffers along streams to act as a natural filtration system for ground water (*\$4.6 million*)
- development of a statewide Wetlands Management Program dedicated to establishing a statewide comprehensive management program to preserve wetlands (*\$786,900*)
- other critical water quality programs, including poultry litter management and assessment and implementation of plans to control the total maximum daily loads of pollutants to waters (*\$10.2 million*)
- Additional personnel and resources for the Oyster Heritage Program to revitalize Virginia's oyster population (*\$460,000 NGF*)

Recap of the Governor's 2000-02 budget

Governor Gilmore's proposed budget:

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- promotes increased tourism and economic development
- leverages the state's assets to expand access to technology for all Virginians, and bridge the "digital divide"
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Proposed amendments for the 1998-2000 budget

	Fiscal year 2000 <i>GF \$ in millions</i>
General fund resources	
Balance	\$485.1
Additions to balance	226.3
Revenue	10,658.3
Transfers	<u>411.5</u>
Total resources	11,781.2
General fund spending	
Current services (base budget)	<u>11,095.7</u>
Difference (resources vs. current services)	685.5
Additional spending:	
K-12 education	18.7
Higher education	2.5
Technology	0.3
Tourism	. . .
Other economic development	2.0
Human resources	58.2
Public safety	13.2
Transportation	0.2
Natural resources	. . .
Employee compensation and benefits	0.8
Revenue stabilization fund	. . .
Car tax relief	68.5
General government/other	8.2
Capital outlay	<u>3.4</u>
Total additional spending	176.0
Funding balance	\$509.5