

Overview of the Governor's Budget Reduction Plan

Presentation to the House Appropriations Committee

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Actions Have Been Taken To Address the Revenue Shortfall For Several Months

Actions taken to date:

- May 21 – Governor advised agencies of likely revenue shortfall and suggests they avoid discretionary spending and carry forward such saving to Fiscal Year 2008.
- June 1 – Agencies identified an aggregate \$66 million in savings from Fiscal Year 2007 to carry forward to Fiscal Year 2008.
- June 13 – Governor convened a meeting of the Governor’s Advisory Board of Economists.
- July 16 – Governor convened a special meeting of housing industry experts to gain a better understanding of the outlook for Virginia.
- July 25 – Governor convened a meeting of the Governor’s Advisory Council on Revenue Estimates.
- August 20 – Governor presented revised revenue forecast and announced that Secretaries will be required to achieve general fund savings of approximately five percent in their respective secretarial areas.

Actions to Address the Revenue Shortfall Are Ongoing

- August 20 through September 13 – Secretaries met with agencies to develop strategies for achieving reductions.
- September 13 – Secretaries submitted reduction plans to the Department of Planning and Budget.
- September 14 through September 30 – Governor reviewed plans and met with Secretaries and agencies as needed to finalize the reduction strategies.
- October 1 – Governor announced his final reduction plan. At the same time, the Governor conferred with legislative leadership and delivered to the Chairmen of the House Appropriations and Senate Finance Committees copies of the original plans proposed by each Secretary.

The Governor's Budget Reduction Plan Has Four Components

1. Agency-based budget reductions - \$300.3 million
2. Reversion of unexpended operating appropriations from the prior year (FY 2007) - \$94.0 million
3. Ongoing examination for efficiencies/savings that can be incorporated into Caboose Budget Bill
4. Use some portion of the Revenue Stabilization Fund (if trigger is met) – Maximum transfer equals \$303 million

Summary of the Governor's Budget Reduction Plan By Major Type of Savings Action

\$ in Millions

Agency Savings Action	General Fund Savings
Improved business practices and efficiencies	\$ 92.9
Reduce discretionary expenses	54.1
Reduce personnel costs	38.4
Supplant GF with NGF resources	32.2
Reduce or eliminate current services	25.7
GF revenue producing items	20.3
Reduce Aid to Localities	19.3
Other	4.9
Reduce or eliminate aid to nonstate agencies	4.5
Reversion of capital outlay balances	3.3
Transfer of NGF operating balances	3.3
Reduce or eliminate aid to individuals	0.7
New fees or change to existing fees	0.5
Total	\$ 300.3

Improved Business Practices and Efficiencies - \$92.9 million

Examples

- Department of Health found savings of nearly \$100,000 by converting paper publications to an electronic format.
- The Department of Forestry will implement steps to reduce energy consumption by saving \$133,000 per year.
- The Department of State Police will save over \$1.3 million per year by extending the life (mileage) of their police vehicles.
- The Department of Medical Assistance Services will realize savings of nearly \$60 million because the actual per member/per month rate paid to the Managed Care Organizations for Fiscal Year 2008 is significantly below the rate assumed in the forecast last fall.
- The Department of Mental Health, Mental Retardation and Substance Abuse Services will increase efforts to maximize reimbursements from the federal government saving \$11.8 million.

Reduce Discretionary Expenses

\$54.1 million

- There are 178 budget reduction strategies in 58 agencies that fall into this category
- These cuts include actions to reduce discretionary travel, training, supplies and equipment across state government

Reduce Personnel Costs

\$38.4 million

- Nearly \$39 million of the cuts come from reducing personnel costs. Most of the 386 positions that were eliminated do not represent layoffs. These are mostly vacant positions that will not be replaced.

Layoffs Approved in the Governor's Budget Reduction Plan By Agency

<u>Agency</u>	<u>Layoffs</u>
Department of General Services	1.00
Department of Agriculture and Consumer Services	2.00
Virginia Tourism Authority	4.00
Department of Business Assistance	2.00
Virginia Polytechnic Institute and State University	19.00
Old Dominion University	3.00
VPI Cooperative Extension and Agricultural Experiment Station	15.90
Virginia Commonwealth University	2.00
Mental Health Treatment Centers	23.00
Department of Historic Resources	1.00
Innovative Technology Authority	<u>1.00</u>
Grand Total	73.90

Supplant GF with NGF Resources \$32.2 million

Examples

- The Department of Education will use \$8.8 million in unanticipated Literary Fund deposits for teacher retirement.
- Available Temporary Assistance for Needy Families funding (TANF) will be substituted for general fund appropriations in various services saving \$7.6 million.
- The Marine Resources Commission will supplant a portion of the general fund support for its law enforcement division with funding from the recreational license fund saving \$379,009 in FY 2008. Much of the agency's law enforcement activity is for recreational fishing.

Reduce or Eliminate Current Services

\$25.7 million

- The Department of Education will terminate its turnaround specialist contract with the University of Virginia (UVA) saving \$280,071. UVA has fully implemented a fee-supported training program where principals from around the country are to be trained as turnaround specialists.
- Old Dominion University will close six non-profitable TELETECHNET sites and save \$94,643. This saving strategy reflects the University's plans to invest in on-line courses.
- The Innovative Technology Authority will reduce its grants to a variety of organizations that provide entrepreneurial services to fledgling technology companies by \$172,000.
- The Virginia Economic Development Partnership will reduce funding in FY 2008 for planned trade missions by \$270,896.
- The Department of Juvenile Justice will discontinue a contract with a community placement program which has not performed to expectations saving \$310,250.

General Fund Revenue Producing Items \$20.3 million

- Interest revenue of over \$20 million to be generated by disbursing general funds dedicated to transportation as the moneys are needed, instead of making a lump sum transfer at one time.

Reduced Aid to Localities - \$19.3 million

(0.2% of Aid to Localities)

<u>Agency</u>	<u>Program</u>	<u>\$ in Millions</u>	
		<u>Amount</u>	<u>Action</u>
Criminal Justice Services	HB 599	\$10.8	5% reduction
Compensation Board	Constitutional Officers	1.3	Delay filling vacant positions for clerks, treasurers, finance directors, & commissioners of the revenue
Department of Social Services	General relief program	1.2	Reduction reflects a decrease in anticipated spending in FY 2008
Compensation Board	Constitutional Officers	0.8	Disallow transfer of turnover savings to office expenses or temporary salaries
Department of Juvenile Justice	Local juvenile detention centers	0.8	2.5% reduction
State Library	Library of Virginia	0.7	Reduction in general aid and filtering grants
Dept. of Housing & Community Development	Regional R&D centers	0.6	Eliminates funding for one research & development center
Department of Health	Drinking Water State Revolving Fund	0.5	State provides more match than is required for federal funds
Department of Conservation and Recreation	Soil & Water Conservation Districts	0.4	5% reduction
State Board of Elections	Electoral boards and general registrars	0.4	5% reduction in reimbursement of salaries for local electoral boards and general registrars
Dept. of Housing & Community Development	Planning District Commissions	0.4	5% reductions plus \$270,845 to the Southwest Virginia Water Construction Program
Department of Juvenile Justice	Va Juvenile Community Crime Control Act	0.4	2.5% reduction
Department of Environmental Quality	Citizen water quality monitoring grants	0.1	Eliminates the program

Summary of June 30, 2007 General Fund Operating Balances

		\$ in Millions	
Gross Unexpended Balance		\$ 919.1	
Planned Reversion in Current Appropriation Act		159.8	
Net Amount Available for Reappropriation		\$ 759.3	
 <u>Actions on Balances:</u>			
Mandatory Reappropriations:			
Legislative Department	\$ 11.9		
Judicial Department	1.3		
Executive Department:			
Transportation	500.0		
Other	101.9		
Total		\$ 615.1	(81.0%)
Discretionary Reappropriations		50.2	(6.6%)
To be Reverted*		94.0	(12.4%)
Total		\$ 759.3	(100.0%)

* Consistent with Governor's Budget Reduction Plan

Amounts Pledged by Agencies On June 1, 2007

<u>Type</u>	\$ in Millions		
	<u>Pledged Amount</u>	<u>Non-Pledged Amount</u>	<u>Reappropriation Total</u>
Other Executive Dept Mandatory	\$ 33.0	\$ 68.9	\$ 101.9
Discretionary Reappropriations	<u>33.0</u> *	<u>17.2</u>	<u>50.2</u>
Total	\$ 66.0 *	\$ 86.1	\$ 152.1

*The actual amount pledged was \$66.3 million but the Department of Planning and Budget voluntarily reverted \$329,388 of its pledged amount.

Distribution of Pledged Amounts (Mandatory Accounts) Institutions of Higher Education and Other Agencies

<u>Office</u>	<u>Agency</u>	<u>Type of Reappropriation</u>	<u>Pledged Amount</u>
Higher Education	William & Mary	Mandatory	\$ 20,000
Higher Education	Virginia Military Institute	Mandatory	34,000
Higher Education	Longwood University	Mandatory	20,000
Higher Education	James Madison University	Mandatory	770,000
Higher Education	Radford	Mandatory	541,000
Higher Education	Old Dominion University	Mandatory	150,000
Higher Education	VCU	Mandatory	1,617,000
Higher Education	Christopher Newport	Mandatory	35,000
Higher Education	Community College System	Mandatory	29,124,393
Higher Education	Marine Science (VIMS)	Mandatory	<u>15,000</u>
Subtotal Institutions of Higher Education			\$ 32,326,393
Commerce and Trade	Business Assistance	Mandatory	\$225,000
Natural Resources	Historic Resources	Mandatory	91,000
Public Safety	Criminal Justice Services	Mandatory	75,000
Health & Human Resources	Comprehensive Services (CSA)	Mandatory	<u>259,523</u>
Subtotal Other Agencies			\$ 650,523
Grand Total			\$ 32,976,916

Distribution of Pledged Amounts (Discretionary Accounts)

<u>Office</u>	<u>Agency</u>	<u>Reappropriation</u>	<u>Pledged Amt</u>
Executive Offices	Governor's Office	Discretionary	\$ 5,000
Executive Offices	Lt. Governor's Office	Discretionary	42,000
Executive Offices	Attorney General (OAG)	Discretionary	350,000
Executive Offices	Secretary of the Commonwealth	Discretionary	5,000
Executive Offices	Office of Commonwealth Preparedness	Discretionary	76,000
Administration	Compensation Board	Discretionary	90,000
Administration	Office of Administration	Discretionary	66,000
Administration	General Services	Discretionary	601,241
Administration	Minority Business	Discretionary	166,000
Administration	Employment Dispute Resolution	Discretionary	76,800
Agriculture and Forestry	Office of Agriculture and Forestry	Discretionary	23,000
Agriculture and Forestry	Forestry	Discretionary	685,000
Commerce and Trade	Housing	Discretionary	100,000
Commerce and Trade	Office of Commerce & Trade	Discretionary	15,000
Commerce and Trade	Mines & Energy	Discretionary	1,097,743
Education	Commission for the Arts	Discretionary	7,000
Education	Office of Education	Discretionary	125,000
Education	Dept of Education	Discretionary	910,067
Education	School f/t Deaf & Blind at Staunton	Discretionary	140,000
Education	School f/t Deaf, Blind & Multi-Disabled at Hampton	Discretionary	50,000
Education	Museum of Fine Arts	Discretionary	90,000
Education	Council on Higher Education in Virginia	Discretionary	450,000
Education	Gunston Hall	Discretionary	1,500
Education	Jamestown/Yorktown	Discretionary	718,518
Education	New College Institute	Discretionary	135,000
Finance	Planning & Budget	Discretionary	1,070,612
Finance	Accounts	Discretionary	50,000
Finance	Treasury	Discretionary	1,667,011
Finance	Taxation	Discretionary	1,018,012
Finance	Office of Finance	Discretionary	50,000
Health & Human Resources	Office of Health & Human Resources	Discretionary	15,000
Health & Human Resources	Health	Discretionary	250,000
Health & Human Resources	Medical Assistance	Discretionary	1,170,443
Health & Human Resources	Virginia Board for People with Disabilities	Discretionary	9,000
Health & Human Resources	Mental Health (Central Office)	Discretionary	2,810,000
Health & Human Resources	Social Services	Discretionary	8,150,000
Health & Human Resources	Mental Health Treatment Centers	Discretionary	9,482,228
Health & Human Resources	Center for Behavioral Rehab	Discretionary	325,000
Natural Resources	Office of Natural Resources	Discretionary	20,000
Natural Resources	Conservation & Recreation	Discretionary	200,000
Natural Resources	Chippokes Plantation	Discretionary	5,000
Natural Resources	Historic Resources	Discretionary	105,000
Natural Resources	Natural History Museum	Discretionary	50,000
Public Safety	Criminal Justice Services	Discretionary	75,000
Public Safety	Office of Public Safety	Discretionary	20,000
Public Safety	Dept of Forensic Science	Discretionary	200,000
Public Safety	Veterans' Services	Discretionary	100,000
Public Safety	Commonwealth Attorneys' Services Council	Discretionary	10,000
Technology	Virginia Information Technologies Agency	Discretionary	92,815
Technology	Office of Technology	Discretionary	5,000
	Grand Total		\$ 32,975,990

Agencies Specifically Using FY 2007 Unexpended General Fund Balances in Their Budget Reduction Plans

<u>Agency</u>	<u>Strategies</u>	Reduction Plan <u>Amount</u>	Reappropriation Type	<u>Pledged</u>
Compensation Board	Revert year end general fund balances	\$ 976,259	Mandatory	No
Gunston Hall	Use unexpended FY 2007 balances	2,987	Discretionary	No
Gunston Hall	Use unexpended FY 2007 balances	1,500	Discretionary	Yes
Department of General Services	Use carryforward balances FY 2008 only	568,362	Discretionary	Yes
Department of Health	Eliminate one-time general fund for Master Patient Index (From FY 2007 balance)	250,000	Discretionary	Yes
Dept. of Housing and Community Development	Eliminate funding for database for the Division of Building and Fire Regulations (From FY 2007 balance)	145,000	Discretionary	No
Department of Mines, Minerals and Energy	Utilize Biofuels Production Fund (From FY 2007 balance)	45,000	Discretionary	Yes
Department of Planning and Budget	Achieve one-time administrative cost savings (From FY 2007 balance)	346,942	Discretionary	Yes
TOTAL		\$ 2,336,050		
	Pledged	1,211,804		
	NonPledged	1,124,246		

How Agencies are Using \$66.3 Million in Pledged June 30 Balances

- Mandatory reappropriations total \$33.0 million (almost entirely in higher education pursuant to restructuring commitments).
- The Governor's Reduction Plan specifically contains \$1.2 million from pledged balances.
- There are 405 approved savings strategies totaling \$94.4 million that have the same amount listed for FY 2008 savings as shown for full year (annual) savings even though a quarter of the year is gone. Some agencies are likely using pledged dollars to achieve a full year's saving in FY 2008 given October 1 implementation.
- Some agencies may need to cover FY 2008 WTA and annual leave payment costs for approved savings strategies.
- Some agencies plan to cover extra costs in FY 2008 (e.g. VITA charges) in lieu of budget requests.