

# **Overview of the Governor's Budget Reduction Plan**

## **Presentation to the Senate Finance 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
<b>Total</b>	<b>\$ 300.3</b>

# **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>
<b>Grand Total</b>	<b>73.90</b>



# **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

# Milestones for Budget Development 2008-2010 Biennium

<u>Event</u>	<u>Timeframe</u>
1. Agencies develop their initial strategic plans including key objectives and specific plans for service areas	Late September
2. Base budget calculations provided to agencies (with adjustments)	October 1
3. Detailed capital outlay submissions due from agencies	October 1
4. Agencies submit 2008-2010 base budget requests	Mid October
5. Governor's Advisory Board of Economists begin to put together "economic" forecast for Virginia	Mid October
6. Agencies submit budget decision packages (narrative and data) to make changes to base budget	October 31
7. Agencies revise their strategic plans	Ongoing (Sept.–Oct.)
8. Governor's Advisory Council on Revenue Estimates develops alternative and consensus revenue forecast	Late November
9. Governor presents budget recommendation for 2008-2010 biennium	December 17