

The Six-Year Financial Plan

Based on HB 1500/SB 700

Department of Planning and Budget
December 2004

General Fund Financial Plan - Fiscal Years 2005 - 2010
(Based on Introduced Budget for 2005 Session)

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	<u>FY2005</u>	<u>FY2006</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
<u>Resources:</u>								
Balances	\$273.9	\$30.8	\$677.1	\$205.7	\$6.0	\$0.0	\$0.0	\$9.8
Adjustments to Balance	(0.5)	(0.5)	(128.6)	30.7	(0.5)	(0.5)	(0.5)	(0.5)
Revenue	12,451.8	13,093.4	12,893.2	13,441.8	14,221.4	15,048.6	15,754.5	16,551.4
Lottery Proceeds	395.0	402.0	423.5	441.8	441.8	441.8	441.8	441.8
Revenue Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales Tax for Education	167.0	210.7	158.1	221.3	232.9	243.2	253.8	265.6
Other Transfers	145.7	147.5	154.5	176.9	129.5	129.5	129.5	129.5
Health Care Fund	<u>278.3</u>	<u>331.1</u>	<u>292.1</u>	<u>310.4</u>	<u>315.6</u>	<u>320.0</u>	<u>321.0</u>	<u>322.2</u>
Total Resources	\$13,711.3	\$14,215.0	\$14,469.9	\$14,828.6	\$15,346.7	\$16,182.6	\$16,900.1	\$17,866.2
<u>Spending and Savings Items:</u>								
Elementary & Secondary Education (K-12)	\$4,747.2	\$4,995.7	\$4,738.7	\$5,053.0	\$5,477.8	\$5,541.8	\$5,966.6	\$6,035.3
Higher and Other Education	1,473.6	1,538.6	1,473.8	1,592.2	1,614.8	1,643.1	1,670.1	1,673.0
Health and Human Resource	3,253.4	3,477.1	3,371.4	3,611.2	3,776.9	3,962.4	4,152.7	4,359.5
Public Safety	2,185.8	2,231.9	2,187.2	2,252.0	2,311.6	2,350.5	2,375.8	2,404.8
Transportation	77.5	77.5	427.5	101.1	63.6	63.6	63.6	63.6
Natural Resources	106.3	98.1	107.6	135.3	103.6	103.7	103.7	103.0
Commerce and Trade	138.0	132.8	140.5	157.8	148.7	158.2	151.7	144.0
General Government	1,675.7	1,538.5	1,604.9	1,604.1	1,964.4	2,090.8	2,220.5	2,337.3
Revenue Stabilization Fund	0.0	87.0	134.5	181.9	36.4	64.3	137.7	136.8
Capital Outlay	<u>23.0</u>	<u>22.7</u>	<u>78.1</u>	<u>134.1</u>	<u>47.9</u>	<u>47.9</u>	<u>47.9</u>	<u>47.9</u>
Total Spending	\$13,680.6	\$14,199.8	\$14,264.2	\$14,822.6	\$15,545.7	\$16,026.4	\$16,890.3	\$17,305.2
Balance	\$30.7	\$15.2	\$205.7	\$6.0	(\$199.0)	\$156.2	\$9.8	\$414.5

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General Fund Revenues, Transfers, and Balances Through Fiscal Year 2010

Assumptions About Resources

- ❖ The beginning balance for each fiscal year equals the ending balance of the prior fiscal year (difference between resources and spending). If the balance for the prior fiscal year is less than zero, the beginning balance for the next fiscal year is assumed to be zero.
- ❖ “Budgeted Resources” for fiscal years 2005, and 2006 equal the revenue estimate as shown on the front page of the existing Appropriation Act.
- ❖ “Amended Resources” for fiscal years 2005 and 2006 equal the revenue estimate as shown on the front page of the budget bill introduced to the 2005 General Assembly.
- ❖ “Projected Revenue” amounts for fiscal years 2005 through 2010 are consistent with the official long-term forecast released December 17, 2004. The forecast has been adjusted to account for the enacted tax reform plan (HB 5018) and other recurring revenue changes in the budget. The growth rates are: +8.2 for fiscal year 2005, +4.3 for fiscal year 2006, +5.8% for fiscal year 2007, +5.8% for fiscal year 2008, +4.7% for fiscal year 2009, and 5.1% for fiscal year 2010.
- ❖ Lottery proceeds equal the official forecast as adopted by the State Lottery Board. Proceeds increase through fiscal year 2006 but remain stable after that point.
- ❖ No transfer or withdrawal from the Revenue Stabilization Fund is expected during the six-year period.
- ❖ The sales tax transfer consists of the 1/8 cent sales tax increase enacted by the General Assembly during the 2004 special session which is earmarked for public education. This source is deposited to a nongeneral fund account and transferred into the general fund for public education purposes. The projections for this source are consistent with the long-term forecast for sales tax collections embedded in the overall forecast of general fund revenues.
- ❖ Health Care Fund was created by the General Assembly in the 2004 session and consists of taxes on tobacco products, 40 percent of the revenue collected from the agreement with tobacco manufacturers, and Medicaid recoveries. The Fund is used to pay for the Medicaid program.

- ❖ Cash transfers for fiscal years 2005 and 2006 equal the amounts included in the introduced budget. In future years, transfers equal recurring items as listed on the following list.

Normal Transfers

	Introduced Bill FY 2006
§3-1.01 A1 Cost Recoveries	\$ 73,601,000
ABC Profits	19,800,000
Unrefunded Marine Fuels	7,416,469
Local Sales Tax Compliance	5,963,207
Transportation Sales Tax Compliance	2,812,642
NGF Indirect Costs	8,228,484
Treasury Fees	100,000
DGIF Game Protection Fund	(3,414,755)
Payroll Processing Center	105,652
Children's Health Program	(14,065,627)
DGIF - Sales tax to Game Fund	(10,525,125)
Targeted NGF Reductions	11,262,551
Tobacco Commission Audit Share	215,401
Tobacco Foundation Audit Share	43,080
Court Debt Collections	1,100,000
Uninsured motorist fees	6,400,000
Health Department-Vital Records fees	890,000
Drug Offender Assessment fees	500,000
Special Education Recovery Fund	3,347,287
IDEA Fee	5,500,000
VSPA Administrative Recovery	170,221
VIPNet - Fees	10,000,000
Subtotal (without Lottery Profits)	\$ 129,450,487

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General Fund Spending Through Fiscal Year 2010
Public Education (K-12)

Assumptions About Spending

- ❖ Standards of Quality and Incentive-Based programs for fiscal years 2005 and 2006 are rebased using the latest prevailing instructional and support costs and enrollment (ADM and fall membership) information. Out-year spending assumes a rebasing of 9.28 percent in the first year and 10.37 percent the second year for the 2006-2008 biennium (3.5 percent salary/support increase for two years; the unfunded annualized cost of the 3 percent salary increase in FY 2006; 1 percent enrollment growth each year). It also assumes a rebasing of 9.24 percent in the first year and 10.33 percent in the second year for the 2008-2010 biennium (4.0 percent salary/support cost for two years; 1 percent enrollment growth each year). Figures are adjusted for Lottery and sales tax basic aid offsets based on the revenue estimates for these sources. This additional funding also includes the 1/8 cent sales tax dedicated to Standards of Quality funding and local tax relief.
- ❖ The one-cent sales tax is based on the latest information provided by the Department of Taxation as of December 2, 2004. It is also updated for the impact of additional sales tax revenues generated from eliminating the exemptions of certain public service corporations, cigarette sales, and phone cards. An additional 1/8 cent in sales tax revenue will also be distribution based on the same methodology as the original one cent sales tax (based on school age population). The out-year projections for the sales tax revenues dedicated to public education are based on the latest information provided by the Department of Taxation as of December 2, 2004.
- ❖ Lottery Proceeds are based on preliminary estimates for fiscal years 2005 and 2006 provided by Lottery. In addition, Lottery proceeds for fiscal year 2004 exceeded the original estimate by \$22.7 million and have been reflected in the revised fiscal year 2005 estimate. Out-year projections are held constant at the FY 2006 estimate.
- ❖ Fringe Benefits are based on the VRS teacher contribution rates of 6.03 percent in FY 2005 and 6.62 percent in FY 2006 and VRS retiree health care credit of .55 percent in both years. The out-year projections are based on VRS' estimated actuarial contribution rates of 10.8 percent for the 2006-2008 biennium and 11.11 percent for the 2008-2010 biennium.
- ❖ Categorical Grants for the 2004-2006 biennium are adjusted for the latest child count and reimbursement information. Out-year spending assumes a 3 percent annual increase in the enrollment-related and reimbursement costs of these programs.
- ❖ All Other Direct Aid includes legislative and executive special projects, such as Project Discovery or the Governor's new Project Graduation program. Out-year projections are held constant.

- ❖ Department of Education Central Office amounts for the 2004-2006 biennium are based on maintaining existing requirements such as Standards of Learning (SOL) testing, No Child Left Behind, and web-based on-line testing.

All Other K-12 Spending Category (held consistent for out-years)

Includes the two schools for the deaf and blind.

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General Fund Spending Through Fiscal Year 2010 Higher and Other Education

Assumptions About Spending

- ❖ Amounts for base adequacy funding assume that the remaining general fund shortfall, based on calculations by the Joint Subcommittee on Higher Education Funding Policies, will be covered by the existing 2006 appropriation of \$112.5 million, plus amendments for \$12.2 million, plus an additional \$22.1 million in each of 2007, 2008, and 2009. The 2005 shortfall is based on the 2004 base funding calculation, with new general fund and nongeneral fund revenues added in for 2005. Funding for 2006 also includes enrollment growth based on actual vs. projected 2004 enrollment.
- ❖ Funding totaling \$1.7 million is provided for three innovative collaborations among local school districts, community colleges, and universities to provide avenues for students to begin accumulating college credits or industry certifications while in high school. These programs are continued in the out-years at the recommended funding level.
- ❖ Faculty salary increases of \$11.7 million are effective November 25, 2005. Out-year costs reflect continuation cost for this 3 percent salary increase for teaching and research faculty, administrative faculty, and graduate teaching assistants.
- ❖ The projections for student financial assistance for FY 2007 to FY 2010 factor in projected growth in enrollment based on historical trends.
- ❖ The projections for Tuition Assistance Grants for FY 2007 to FY 2010 factor in projected growth in enrollment based on historical trends.
- ❖ Amounts for military tuition cover the difference in tuition and fee charges between resident and nonresident students for children and spouses of military personnel stationed in Virginia. These amounts are continued in the out-years.
- ❖ Additional funding is provided to support the School of Business accreditation and expand Internet wiring at Virginia State University.
- ❖ Additional research funding assumes a second nonrecurring allocation of \$2.5 million to further strengthen three promising research programs recognized by a national panel of experts to be among Virginia's most promising research programs. These funds support programs that have the potential to be national leaders in their fields and will help the programs compete for federal and private research funding. Other research initiatives, with ongoing costs of \$600,000, will provide resources to develop and

share graduate courses in nanotechnology and purchase additional time on the Free Electron Laser at Jefferson Lab to perform applied research.

- ❖ One-time funding of \$1.5 million is provided to support planning and development of new and expanded higher education opportunities in Southside Virginia. Further funding needs are undetermined at this time.
- ❖ Amounts for higher education centers and institutes are continued in the out-years at the current level of funding.
- ❖ Amounts for museums and cultural agencies include funding to support operations at the Science Museum of Virginia, the Danville Science Center, and the Frontier Culture Museum and to supplement the state formula aid distribution for libraries. In addition, increased funding is provided to support grants to local arts organizations. Amounts are continued in the out years at the current level of funding.
- ❖ Amounts for operation and maintenance of new facilities are based on new buildings that are projected to open in the 2004-06 biennium. Estimates of future funding needs are based on the projected completion of nearly \$1.0 billion in capital projects authorized in 2002, including the General Obligation Bond Act.
- ❖ General fund support for Jamestown 2007 Commemoration ends in 2008, allowing one year to close out all expenses related to the event.
- ❖ The “All Other Spending Category” includes estimated general fund expenditures for the agencies listed below. The amended spending amount for 2006 includes \$2.3 million in nonrecurring costs: Space Grants (\$0.2 million) and a state match for the GEAR-UP grant (\$2.1 million) in the State Council of Higher Education for Virginia.

All Other Spending Category Includes:

Secretary of Education
State Council of Higher Education for Virginia
Cooperative Extension Programs
Eastern Virginia Medical School
Southeastern Universities Research Association

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General Fund Spending Through Fiscal Year 2010

Health & Human Resources

Assumptions About Spending

- ❖ Amounts for the Comprehensive Services Act reflect the agency's appropriation for the 2004-2006 biennium. A 6.5 percent annual growth rate is assumed for fiscal years 2007 through 2010.
- ❖ Medicaid utilization and inflation reflects an additional \$96.9 million in FY 05 and \$85.9 million in FY 06. This additional funding is due to higher enrollment growth in FY 2004 (8.9 percent versus the projected growth of 6.8 percent). Other factors increasing costs include: 1) the increase in Medicare Part B premiums by 17 percent in January 2005 (this impacts people that are dual eligible and for which Medicaid must pay their Medicare premiums); 2) a federal recovery of \$12.5 million in FY 2005; and 3) a shortfall of \$14 million in FY 2006 due to the phase out of upper payment limit transactions and decreased revenues from school-based claiming initiatives. Medicaid utilization and inflation funding reflects estimated expenditures increasing by approximately 4.0 percent in FY 2005, 11.8 percent in FY 2006, 7.5 percent in FY 2007, and about 7.9 percent each year from FY 2008 through FY 2010. Total Medicaid spending is expected to increase by 4.7 percent in fiscal year 2005, 11.5 percent in fiscal year 2006, 6.9 percent in fiscal year 2007, and about 7.5 percent each year from fiscal year 2008 through fiscal year 2010.
- ❖ The Medicaid (all other) includes funding of \$12 million for FAMIS, Medicaid S-CHIP and Involuntary Mental Commitments, for the 2004-2006 biennium, which reflects higher than projected enrollment and spending. For FY 2007 through FY 2010 the estimates are straight-lined.
- ❖ Funding for indigent health care provided by the Virginia Commonwealth University Health System and the University of Virginia Health System as included in Chapter 4 (the 2004 Appropriation Act).
- ❖ The amounts shown for provider rate increases includes:
 - Funding for inpatient hospitals at 24 percent below (or 76 percent of) the allowable cost, effective beginning in FY 2006.
 - Funding for a 34 percent rate increase for OB-GYN providers effective in September 2004, pursuant to emergency regulation.
 - Funding for a 10 percent increase in dental provider rates, beginning in FY 2006.
- ❖ The Health Care Fund reflects a downward adjustment of \$6.2 million in FY 2005 and \$20.7 million in FY 2006 due to updated revenue projections for the fund. An equivalent adjustment has been added to Medicaid utilization and inflation to cover the lower revenue. The Health Care Fund also reflects a \$20 million increase in FY 2005 due to revenue from a Disproportionate Share Hospital intergovernmental transfer that ends in FY 2005.

- ❖ Although overall spending in the state mental health and mental retardation facilities remains constant in FY 2007 through 2010, the amended spending reflects the Governor's actions on medications, nursing salary adjustments, and technical transfers to community programs.
- ❖ Although overall spending in community programs remains constant in FY 2007 through 2010, the amended spending primarily reflects the Governor's actions on crisis intervention, non-mandated children's services, and technical transfers to community programs.
- ❖ The forecast for the program to treat civilly committed sexually violent predators for fiscal years 2007 and 2008 uses a growth rate of 55 percent. The population is expected to stabilize by the 2008-2010 biennium and the program is level funded at that time.
- ❖ Community health services represents spending in the Virginia Department of Health for local health department services. The increase in FY 2006 is associated with added funding for the dental loan repayment/scholarship program, upgrading dental equipment and replacing mobile dental units, and improving recruitment and retention of public health dentists.
- ❖ The amounts indicated only reflects general fund support, the total spending on Temporary Assistance for Needy Families (TANF) benefits is estimated at \$119.4 million for fiscal year 2005 and \$121.4 million for fiscal year 2006. The difference is funded with TANF dollars. It is projected that TANF caseload will continue to increase approximately eight percent each year through fiscal year 2010.
- ❖ It is anticipated that mandated foster care (Title IV-E) maintenance payments will increase over the next six years. The increased spending is based on projected caseload and cost growth of 10 percent each year for this mandated program.
- ❖ Special needs adoption subsidy obligations are expected to increase over the next six years. The funding need is based on the projected caseload and expenditure increases for this mandated program. The increase assumes a growth of 10 percent each year.

All Other Spending Category

- ❖ The "All Other Spending Category" includes estimated general fund expenditures for other government activities based on funding in the introduced bill. Such spending would include the all other Health and Human Resources agencies and activities not specifically set out in the spreadsheet.

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Public Safety

Assumptions About Spending

- ❖ Expenditure data includes all agencies in the Public Safety Secretariat and in the Judicial System, as well as funds for the following activities related to constitutional officers in the Compensation Board—Commonwealth’s attorneys, sheriffs, and local jail per diem reimbursements.
- ❖ Operation of Adult Prisons includes all the costs of operating adult correctional facilities. To help meet the need to house the growing number of offenders sentenced to state correctional facilities, Virginia will discontinue the housing of out-of-state prisoners by mid-December 2004. The data for FY 2005 and FY 2006 include additional general fund appropriations to replace revenue previously received for housing up to 3,000 out-of-state inmates. In order to meet the need to house additional inmates in the future, the 2004 General Assembly authorized the expansion of two existing prisons and the construction of two new ones. The data reflect projected additional operating costs needed for those facilities in the future.
- ❖ Operation of Juvenile Correctional Facilities includes all the costs of operating the state’s facilities for juvenile offenders. No major increases in the costs for this activity are projected for the future.
- ❖ Local juvenile detention facilities include the state’s share of the costs of operating local secure detention facilities. No major increases in the costs for this activity are projected for the future.
- ❖ State Police includes all the costs of operating the department. No major increases in the costs for this agency are projected for the future.
- ❖ Local deputy sheriffs include the state’s share of the costs of operating local sheriffs’ departments. For each year beyond FY 2006, it is assumed that an additional \$3 million will be needed to cover the costs of meeting the standard of one law-enforcement deputy per 1,500 population in each locality, hiring extra deputies needed for overcrowded jails, and staffing new or expanded jails.
- ❖ Jail per diem payments includes the state’s share of the costs of housing local and state responsible prisoners in local and regional jails. For the years beyond FY 2006, the amounts shown are based on the growth of the jail population, assuming a one-year lag in accounting for population growth. For FY 2008, there is a temporary reduction in costs as new state facilities open and reduce the population housed in local jails.

- ❖ Criminal Fund includes the forecasted costs to the state for providing for indigent defense. Funding for years beyond FY 2006 is based on the latest forecast of average annual increases of 4.4 percent.
- ❖ HB599 includes the funds provided to localities with police departments. By state law, the funding level for this activity is tied to changes in the general fund revenue forecast. The proposed increases shown for FY 2005 and FY 2006 are based on the changes now forecast for GF revenues. Similarly, funding for years beyond FY 2006 is based on projected increases in GF revenue, as follows: FY 2007: +5.8%; FY 2008: +5.8%; FY 2009: +4.7%; and FY 2010: +5.1%.

All Other Spending Category:

- ❖ The “All Other Spending Category” includes estimated general fund expenditures for the other government activities of the Public Safety Secretariat, the Judicial System, and the Compensation Board, based on funding in the introduced bill. Such spending would include:
 - Judicial System (Other than Criminal Fund)
 - Commonwealth’s attorneys
 - Department of Corrections—Central Administration
 - Department of Corrections—Community Corrections
 - Department of Juvenile Justice—Central Administration
 - Department of Juvenile Justice—Community Corrections
 - Department of Military Affairs
 - Department of Correctional Education
 - Commonwealth’s Attorneys Services Council
 - Department of Criminal Justice Services (other than HB 599 program)
 - Department of Emergency Management
 - Virginia Parole Board
 - Secretary of Public Safety
 - Salary increases provided to State Police and sheriffs’ deputies by 2004 General Assembly

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General Fund Spending Through Fiscal Year 2010

Transportation

Assumptions About Spending

- ❖ The Appropriation Act provides a general fund appropriation of \$37.5 million in both FY 2005 and FY 2006 for debt service for \$317 million in Federal Highway Reimbursement Anticipation Notes (FRANs). Because the amount of transportation funds that were directed in previous years to the general fund and replaced with FRANs revenue will be returned in the 2004-06 biennium, no general fund will be needed in the later years for the FRANs debt service.
- ❖ General fund support for the Route 58 Corridor Development Fund is provided in lieu of the deposit of the state recordation taxes to the fund. This is the historical level for this appropriation.
- ❖ Chapter 1019 of the 2000 General Assembly provides for the deposit of one-third of the revenue derived from taxes on insurance premiums and licenses into the Priority Transportation Fund. The 2004-2006 Appropriation Act does not include that appropriation and, therefore, the data in the table does not include it. What is proposed, however, are a \$350 million one-time infusion in FY 2005 and the annual provision of \$23.6 million in GF, beginning in FY 2006, to replace transportation-related revenues that were being diverted in the budget to either the general fund or non-transportation agencies.

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Natural Resources

Assumptions About Spending

- ❖ Funding for the FY 2006 Water Quality Improvement Fund deposit includes \$32.4 million associated with the mandatory deposit in addition to the \$15 million additional deposit made by the General Assembly. Funding in the out-years was straight-lined at \$15 million per year (the additional deposit made by the General Assembly).
- ❖ Funding to repay the treasury loan for Litter Control and Recycling Fund formula grants to localities is one-time funding.
- ❖ Spending for state park operations and staffing needs was straight-lined in the out-years.
- ❖ Spending for the new Virginia Museum of Natural History facility operating expenses includes the additional spending associated with the opening of the new facility in early 2006.
- ❖ Spending for the dam safety program in state parks is estimated at \$650,000 per year over the FY 2006-2009 period to complete needed repairs to dams in state parks.

All Other Spending Category

- ❖ The “All Other Spending Category” includes estimated general fund expenditures for other government activities based on funding in the introduced bill. Such spending would include the other Natural Resources areas not specifically set out in the spreadsheet. These amounts were straight-lined in the out-years.

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Commerce and Trade

Assumptions About Spending

- ❖ The Virginia Economic Development Partnership estimates that funding for the Virginia Commission on Military Bases will not be needed after the 2004-2006 biennium. The funding included in Chapter 4 is for operating and staff support for the commission and for a Virginia military strategic planning grant program to assist Virginia's localities and regions in preparing the most favorable case possible to the federal Base Realignment and Closure Commission for the preservation and possible expansion of Virginia's military installations.
- ❖ Out-year projected spending for Virginia Works includes only those programs that will be ongoing. Much of the funding for Virginia Works is one-time funding in FY 2006.
- ❖ Spending for relocation of Department of Agriculture and Consumer Services central office staff is one-time funding in FY 2006.
- ❖ Spending to replace computer hardware in the Department of Forestry's offices is one-time spending in FY 2006. Spending to provide rural broadband access in the Department of Forestry's 69 area offices is straight-lined in the out-years.
- ❖ Spending for the Secretary of Agriculture and Forestry is straight-lined in the out-years.
- ❖ Spending for the Governor's Development Opportunity Fund is straight-lined in the out-years.
- ❖ Spending for the semiconductor manufacturing performance grant programs is based on estimates provided by the Virginia Economic Development Partnership and is consistent with Code of Virginia provisions related to the grant programs.
- ❖ Spending for the semiconductor education grants is based on estimates provided by the Virginia Economic Development Partnership in accordance with negotiated agreements with the semiconductor manufacturers related to their major expansions.
- ❖ Spending for the Virginia Investment Partnership grant program is based on estimates provided by the Virginia Economic Development Partnership, in accordance with negotiated company agreements and consistent with Code of Virginia provisions related to the program.

All Other Spending Category

- ❖ The “All Other Spending Category” includes estimated general fund expenditures for other government activities based on funding in the introduced bill. Such spending would include the Commerce and Trade and Agriculture and Forestry areas not specifically set out in the spreadsheet. These amounts were straight-lined in the out-years.

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General Fund Spending Through Fiscal Year 2010
General Government

Assumptions About Spending

- ❖ Treasury's estimates for debt service are based on actual issuance schedules for all previously authorized debt and the most recent interest assumptions. The proposed debt issuance schedule through the biennium is consistent with the Capital Implementation Plan. Thereafter, the schedule for bond issuances is based on the latest draw schedules provided to Treasury with accommodation for schedule updates. The amount also includes debt service on a \$ 52.7 million authorization in FY 2005, \$ 56.2 million in FY 2006, and \$50 million annually thereafter of the Higher Education Equipment Trust Fund.

All currently authorized debt will be issued incrementally through FY 2012. The estimate assumes that all authorized debt (all types) has been issued and debt service has leveled off by FY 2012. The debt service amounts reflect a reduction of \$2.4 million a year of general fund debt service, which is supplanted with funding from the institutions of higher education for higher education equipment. The FY 2005 and FY 2006 amounts reflect reductions due to bond refundings.

- ❖ Car Tax Relief is a result of Chapter 4 plus the Governor's proposed 2005 amendments. Fiscal year 2005 provides 70 percent reimbursement of car tax for vehicles valued at \$20,000 or below. Fiscal year 2006 begins the capped car tax relief program at \$950 million per year. However, due to the fact that Chapter 4 allows for the delay of payments under this new cap for six months, the General Assembly removed \$277 million from the amounts appropriated for FY 2006. This results in a total of \$719.9 million for FY 2006. In the years beyond FY 2006, the \$950 million cap is used as the appropriated amount. The Governor's amendments provide \$24 million in FY 2006 to provide for transition between the current program and the capped program.
- ❖ ABC Profits/Wine Tax/Recordation Taxes for FY 2005 and FY 2006 are based on projections provided by the Department of Taxation and are adjusted for amounts enacted by the General Assembly, which froze the FY 2005 and FY 2006 distributions of ABC profits and wine tax collections at the budgeted FY 2004 levels. Estimates for future years assume such a freeze continues and are straight-lined.
- ❖ The Department of Accounts provided projections of payments under the Line of Duty Act.
- ❖ Rent plan projections include a ten percent increase at the start of each new biennium for salary adjustments and escalation in utility costs and payments in lieu of taxes. The rate for the 2006-2008 biennium also includes a \$200,000 adjustment to the base for additional buildings as the renovated and expanded Finance building and Capitol extension should be on-line.

- ❖ Funding for equipment leased under the partnership contract with American Management Systems, Inc. (AMS), includes the costs of acquiring, maintaining, and refreshing hardware and software, primarily acquired through leases. Under the partnership agreement, AMS initially funded these costs. TAX assumed responsibility for these payments in July 2003 using the Technology Partnership Fund. With the end of the contract with AMS imminent the Technology Partnership Fund will not longer be available.
- ❖ Establishes the loan pool for the Biotechnology Commercialization Loan Fund to finance technology transfer and commercialization activities related to biotechnology inventions made, solely or in cooperation with other organizations, at qualifying institutions. The appropriation is a one-time cost since new loans will be made as the old loans are repaid. The fund was established by SB 646 of the 2004 Session of the General Assembly.
- ❖ State liability insurance program (property and automobile insurance) projections are based on FY 2002 actuarial reports of the programs and the recommendation of the Division of Risk Management. The out-years are based on a rough estimate of the historical trend of increased claims costs resulting in a need for future funding. Workers' compensation costs are based on latest valuation. Agencies with increased received 50 percent of the increase from the general fund and agencies with savings could keep 50 percent of the savings. Future years are straight lined.
- ❖ Group Insurance for State Employees assumes current premium holiday is in effect for 2004-2006. Straight-line projection of 2003 VRS certified rates for future years used as future actuarial information not available.
- ❖ State employee retirement contributions for the 2004-2006 biennium used 30 year amortization period: for state employees (3.91 percent) and the calculated rate for the other programs (State Police = 16.49 percent VaLORS = 16.99 percent, Judges = 30.55 percent.) Costs shown are above the 2004-2006 biennium base budget rates. Estimates rates for out-year retirement for state employees are based upon 30 year amortization period and are as follows: for 2006-08, state employees: 7.11 percent, State Police: 21.37 percent, VaLORS: 17.45 percent, and Judges: 35.36 percent. For 2008-10, state employees: 7.61 percent, State Police: 21.95 percent, VaLORS: 17.57 percent, and Judges: 35.93 percent.
- ❖ State employee health credit contributions used for the 2004-2006 biennium are 1.04% of payroll. Future year costs are not known.
- ❖ VSDP rate increase for state employees reflects a pooled rate of 1.65% as calculated by the VRS actuary for law enforcement and non-law enforcement positions combined. Future years are straight-line projection since future actuarial information not available.
- ❖ State employee health insurance assumes 12 percent increase over projected GF amounts for FY 2005. Future years assume a 10 percent increase each year.
- ❖ FY 2005 salary increases assume a three percent increase for state employees on November 25, 2004 and a three percent increase state-supported local employees on December 1, 2004. Supplemental pay amounts are provided for Capitol Police and Judges. FY

2006 and beyond costs show funding for each full year. State Police and Sheriff salary increases can be found under the Public Safety section of this document. Faculty salary increases can be found under the Higher Education section of this document.

- ❖ FY 2006 salary increases assume a three percent increase for state employees on November 25, 2005 and a three percent increase state-supported local employees on December 1, 2005. Faculty salary increases can be found under the Higher Education section of this document and salary increases for public school teacher can be found in the K-12 section of this document.
- ❖ Future salary increases assume a two percent increase for state employees, and faculty on November 25, 2007, and November 25, 2009, and a two percent increase for teachers and state-supported local employees on December 1, 2007 and December 1, 2009.
- ❖ Rebase Registrar & Electoral Board Salaries for 2004-2006 is updated for latest salaries and population. Future years are straight lined.
- ❖ The “All Other Spending Category” includes estimated general expenditures for other government activities. Such spending would include the Legislative and Judicial branches, Executive Offices, finance, technology, independent, and administration departments not specifically set out in the spreadsheet.

All Other Spending Category

Legislative Department
Governor’s Office
Lt. Governor’s Office
Attorney General’s Office
Secretary of the Commonwealth
Liaison Office
Office of Substance Abuse Prevention
Interstate Organization Contributions
Secretary of Administration
General Registrars
Local Electoral Boards
Public TV & Radio
Veterans Programs
Human Resources Management
Human Rights Council
Consolidated Laboratories, Department of General Services
Employee Dispute Resolution
Charitable Gaming

Secretary of Finance
Department of Taxation
Department of Accounts
Department of Planning and Budget
Department of Treasury
Recordation Tax Distribution
Secretary of Technology
Virginia Information Technologies Agency
Center for Innovative Technology
State Data Center
Economic Contingency Accounts
Virginia Office for Protection and Advocacy

HB 1500/SB 700
General Fund Spending Through Fiscal Year 2010
Revenue Stabilization Fund

Assumptions About Spending

- ❖ Revenue Stabilization Fund payments are based on tax revenue projections provided by the Department of Taxation and exclude the effects of tax reform for the sales tax. The FY 2006 mandatory deposit of \$268.9 million is adjusted to reflect the \$87.0 million deposit included in FY 2004.

HB 1500/SB 700
General Fund Spending Through Fiscal Year 2010
Capital Outlay

Assumptions About Spending

- ❖ Maintenance reserve is funded at \$45.4 million each year beyond the current biennium to address the maintenance backlog at state facilities.
- ❖ Funding for necessary repairs and improvements is a central account reserve for funding repairs and improvements. In the out-years, it is funded at \$2.5 million in each year of the biennium.

**General Fund Financial Plan - Fiscal Years 2005 - 2010
Elementary & Secondary Education (K-12)**

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
SOQ related and incentive-based programs	\$3,062.3	\$3,205.6	\$2,987.0	\$3,147.8	\$3,449.0	\$3,456.8	\$3,804.1	\$3,810.7
Sales tax distribution	995.6	1,065.0	1,000.9	1,089.4	1,144.4	1,193.6	1,244.1	1,298.4
Lottery proceeds distribution	395.0	402.0	446.2	441.8	441.8	441.8	441.8	441.8
Fringe benefits for SOQ related positions	97.1	111.7	107.3	152.0	216.4	219.0	241.6	244.7
Categorical grants	125.0	132.4	124.4	140.3	144.5	148.9	153.3	157.9
All other direct aid	6.4	6.5	6.4	6.7	6.7	6.7	6.7	6.7
Department of Education - Central Office	53.5	60.1	53.9	62.6	62.6	62.6	62.6	62.6
All other spending	12.4	12.4	12.6	12.5	12.5	12.5	12.5	12.5
Total, spending and savings items	\$4,747.2	\$4,995.7	\$4,738.7	\$5,053.0	\$5,477.8	\$5,541.8	\$5,966.6	\$6,035.3

**General Fund Financial Plan - Fiscal Years 2005 - 2010
Higher and Other Education**

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Educational and general programs	1,165.6	1,174.5	1,165.6	1,174.5	1,174.5	1,174.5	1,174.5	1,174.5
Additional base adequacy funding/Enrollment	63.3	112.5	63.3	124.7	146.8	168.9	191.0	191.0
Education for a Lifetime / Senior Year Plus	0.0	0.0	0.0	1.7	1.7	1.7	1.7	1.7
Faculty salary increases	0.0	0.0	0.0	11.7	21.7	21.7	21.7	21.7
Student financial assistance	88.7	88.7	88.7	97.8	99.2	100.5	101.8	103.2
Tuition Assistance Grant (TAG)-State Council of Higher Education	41.4	41.7	41.4	43.5	44.0	44.4	44.9	45.3
Military tuition waivers	2.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0
Office for Civil Rights Accord (Norfolk State & Virginia State Universities)	15.2	16.4	15.2	17.0	16.6	16.6	16.6	16.6
Additional research funding	0.0	8.3	0.0	11.4	0.6	0.6	0.6	0.6
Expand educational opportunities in southside	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0
Higher education centers and institutes	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Museums and cultural agencies	50.0	50.5	50.0	51.4	51.4	51.4	51.4	51.4
Operation and maintenance of new facilities	1.9	2.9	2.3	5.4	9.1	13.6	16.9	18.0
Jamestown-Yorktown 2007 commemoration	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0
All other spending	40.2	37.9	40.0	44.3	42.1	42.1	42.1	42.1
Total, spending and savings items	\$1,473.6	\$1,538.6	\$1,473.8	\$1,592.2	\$1,614.8	\$1,643.1	\$1,670.1	\$1,673.0

General Fund Financial Plan - Fiscal Years 2005 - 2010
Health and Human Resources

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Comprehensive Services Act (special education and foster care)	\$186.7	\$194.6	\$186.7	\$194.6	\$207.2	\$220.7	\$235.1	\$250.3
Medicaid utilization and inflation	1,493.3	1,639.5	1,575.2	1,760.8	1,892.7	2,041.9	2,202.3	2,376.8
Medicaid (all other)	220.4	223.7	224.4	235.1	235.1	235.1	235.1	235.1
Indigent health care	136.5	139.7	136.5	139.7	139.7	139.7	139.7	139.7
Provider rate increases	0.0	0.0	7.4	15.5	15.6	15.7	15.9	16.0
Health Care Fund ¹	278.3	331.1	292.1	310.4	315.6	320.0	321.0	322.2
State mental health/mental retardation facilities	246.0	246.0	251.5	239.9	239.9	239.9	239.9	239.9
Community mental health/mental retardation programs	158.3	159.0	161.5	163.9	163.9	163.9	163.9	163.9
Civil Commitment of Sexually Violent Predators	5.8	5.8	5.8	5.8	9.6	14.9	14.9	14.9
Community health programs	81.4	81.4	81.4	82.3	82.3	82.3	82.3	82.3
TANF benefits	59.9	59.9	59.9	59.9	64.7	69.9	75.5	81.6
Foster care (Title IV-E) maintenance	35.4	38.9	35.4	38.9	42.8	47.1	51.8	57.0
Special needs adoption subsidy obligations	29.7	32.8	29.7	32.8	36.1	39.7	43.7	48.1
All other spending	321.8	324.7	324.0	331.6	331.6	331.6	331.6	331.6
Total, spending and savings items	\$3,253.4	\$3,477.1	\$3,371.4	\$3,611.2	\$3,776.9	\$3,962.4	\$4,152.7	\$4,359.5

¹ Dedicated Special Fund (NGF)

General Fund Financial Plan - Fiscal Years 2005 - 2010
Public Safety

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Operation of adult prisons	\$659.3	\$670.7	\$659.3	\$671.4	\$702.7	\$729.4	\$730.9	\$730.9
Operation of juvenile correctional facilities	72.5	73.1	72.5	74.2	74.2	74.2	74.2	74.2
Local juvenile detention facilities	31.8	31.3	31.8	31.3	31.3	31.3	31.3	31.3
State Police	175.7	179.0	180.8	181.5	181.5	181.5	181.5	181.5
Local deputy sheriffs	333.4	345.7	333.1	347.3	350.3	353.3	356.3	359.3
Local jail per diems	69.5	70.3	67.9	71.8	82.7	76.8	83.9	94.7
Criminal Fund	71.6	74.8	77.0	74.8	78.1	81.6	85.2	88.9
HB 599	177.6	187.1	177.6	191.3	202.4	214.1	224.2	235.6
All other spending	594.5	599.9	587.2	608.4	608.4	608.4	608.4	608.4
Total, spending and savings items	\$2,185.8	\$2,231.9	\$2,187.2	\$2,252.0	\$2,311.6	\$2,350.5	\$2,375.8	\$2,404.8

General Fund Financial Plan - Fiscal Years 2005 - 2010
Transportation

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
FRAN debt service on \$317 million bond	\$37.5	\$37.5	\$37.5	\$37.5	\$0.0	\$0.0	\$0.0	\$0.0
Route 58 support	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
All other spending	0.0	0.0	350.0	23.6	23.6	23.6	23.6	23.6
Total Spending and Savings items	\$77.5	\$77.5	\$427.5	\$101.1	\$63.6	\$63.6	\$63.6	\$63.6

General Fund Financial Plan - Fiscal Years 2005 - 2010
Natural Resources

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Water Quality Improvement Fund deposit (DCR/DEQ)	\$22.7	\$15.0	\$22.7	\$47.4	\$15.0	\$15.0	\$15.0	\$15.0
Treasury loan repayment for Litter Control and Recycling Fund	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0
State park operations & staffing needs	21.5	21.5	21.5	23.6	23.6	23.6	23.6	23.6
Virginia Museum of Natural History facility operating expenses	0.0	0.0	0.0	0.5	1.1	1.2	1.2	1.2
Repair dams in state parks	0.0	0.0	0.0	0.7	0.7	0.7	0.7	0.0
All other spending	62.1	61.6	62.1	63.3	63.3	63.3	63.3	63.3
Total, spending and savings items	\$106.3	\$98.1	\$107.6	\$135.3	\$103.6	\$103.7	\$103.7	\$103.0

General Fund Financial Plan - Fiscal Years 2005 - 2010
Commerce and Trade

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Virginia Commission on Military Bases	\$0.7	\$0.3	\$0.7	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0
Virginia Works	0.0	0.0	0.2	18.6	2.7	2.7	2.7	2.7
Relocation of agriculture central office staff	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Replace hardware & provide rural broadband access (Forestry)	0.0	0.0	0.0	0.7	0.2	0.2	0.2	0.2
Secretary of Agriculture and Forestry	0.0	0.2	0.1	0.5	0.5	0.5	0.5	0.5
Governor's Development Opportunity Fund	13.9	9.0	15.9	9.0	9.0	9.0	9.0	9.0
Semiconductor manufacturing performance grant programs	6.7	6.7	6.7	6.7	14.2	23.0	17.8	8.8
Semiconductor education grants	0.0	0.0	0.0	2.0	2.0	2.0	0.0	0.0
Virginia Investment Partnership grant program	0.0	0.0	0.0	0.0	0.4	1.1	1.8	3.2
All other spending	116.7	116.6	116.9	119.6	119.6	119.6	119.6	119.6
Total, spending and savings items	\$138.0	\$132.8	\$140.5	\$157.8	\$148.7	\$158.2	\$151.7	\$144.0

General Fund Financial Plan - Fiscal Years 2005 - 2010
General Government

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Debt service- prior debt	\$301.0	\$345.7	\$284.7	\$329.2	\$369.1	\$408.7	\$466.3	\$489.4
Car tax relief	947.9	719.9	890.1	742.4	950.0	950.0	950.0	950.0
ABC Profits/Wine Tax/Recordation Taxes	54.6	54.6	54.6	54.8	54.8	54.8	54.8	54.8
Line of duty	2.5	3.1	2.5	3.1	3.7	4.3	4.9	5.6
Rent plan at seat of government	0.8	1.1	0.8	1.1	1.7	1.7	1.8	1.8
Equipment leased under the partnership contract with AMS	11.4	10.9	11.4	10.9	11.2	11.5	12.0	12.3
Biotechnology Commercialization Loan Fund	0.0	0.0	0.1	1.5	0.0	0.0	0.0	0.0
State liability insurance programs (Workers Comp, property and automobile insurance)	0.2	0.2	0.2	0.2	1.3	1.3	1.3	1.3
Group life insurance for state employees	0.0	0.0	0.0	0.0	19.9	19.9	19.9	19.9
State employee retirement contributions	(13.5)	(13.0)	(13.5)	(13.0)	36.2	37.7	41.8	43.5
State employee health credit contributions	(2.8)	(2.9)	(2.8)	(2.9)	0.0	0.0	0.0	0.0
VSDP rate increase for state employees	8.5	8.8	8.5	8.8	8.8	8.8	8.8	8.8
State employee health insurance	32.3	33.7	32.3	64.9	71.4	78.5	86.4	95.0
FY 2005 salary increases - state employees	26.8	48.9	26.8	48.9	48.9	48.9	48.9	48.9
FY 2005 salary increases - state supported local employees	7.3	12.5	7.3	12.5	12.5	12.5	12.5	12.5
FY2006 salary increases - state employees (+3%)	0.0	0.0	0.0	28.5	52.6	52.6	52.6	52.6
FY2006 salary increases - state supported locals (+3%)	0.0	0.0	0.0	12.8	21.9	21.9	21.9	21.9
Future salary increases (beyond FY2006 @+2%)	0.0	0.0	0.0	0.0	0.0	77.3	136.1	218.6
All other spending	298.7	315.0	301.9	300.4	300.4	300.4	300.4	300.4
Total, spending and savings items	\$1,675.7	\$1,538.5	\$1,604.9	\$1,604.1	\$1,964.4	\$2,090.8	\$2,220.5	\$2,337.3

General Fund Financial Plan - Fiscal Years 2005 - 2010
Revenue Stabilization Fund

<u>Item</u>	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Revenue Stabilization Fund payments	\$0.0	\$87.0	\$134.5	\$181.9	\$36.4	\$64.3	\$137.7	\$136.8
Total, spending and savings items	\$0.0	\$87.0	\$134.5	\$181.9	\$36.4	\$64.3	\$137.7	\$136.8

General Fund Financial Plan - Fiscal Years 2005 - 2010
Capital Outlay

	Budgeted (Chapter 4)		Amended (HB1500/SB700)		Projected			
<u>Item</u>	FY2005	FY2006	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Maintenance reserve	\$23.0	\$22.7	\$68.3	\$22.7	\$45.4	\$45.4	\$45.4	\$45.4
Necessary repairs and improvements	0.0	0.0	0.0	0.0	2.5	2.5	2.5	2.5
Cost overruns	0.0	0.0	0.0	69.3	0.0	0.0	0.0	0.0
Other general fund projects	0.0	0.0	1.4	18.9	0.0	0.0	0.0	0.0
Equipment for existing projects	0.0	0.0	8.4	23.2	0.0	0.0	0.0	0.0
Total, spending and savings items	\$23.0	\$22.7	\$78.1	\$134.1	\$47.9	\$47.9	\$47.9	\$47.9