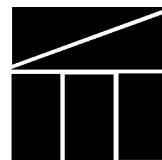


Six-Year Financial Plan Fiscal Years 2004 to 2010



Prepared by:
Virginia Department of
Planning and Budget
January 14, 2004

Introduction

The report “Six-year Financial Plan” has been prepared to meet the provisions of Section 2.2-1503.1, Code of Virginia, which requires the Governor to submit a six-year financial plan to the General Assembly at the beginning of each regular legislative session held in an even-numbered year. The contents include revenue and appropriation data recommended for the next two fiscal years as contained in the Governor’s 2004-2006 biennial budget submission as well as estimates for anticipated revenue and spending over an additional four-year period. Separate financial data are presented for the general fund and the nongeneral fund portions of the budget.

General Fund Financial Plan

Balances: The beginning balance for fiscal year 2004 (revised) is consistent with the Governor’s budget recommendations contained in HB29/SB29 for the 2004 session or the “Caboose Budget Bill for fiscal year 2004.” The beginning balance for each of the next six-years is the ending balance of the prior fiscal year derived by subtracting projected spending from total available resources. If the ending balance for any given fiscal year is “0” or less (i.e., the fiscal year has a projected shortfall), the beginning balance for the next fiscal year is set at “0.”

Revenue: There are two sets of general fund revenue estimates presented in this plan. The first is the official six-year revenue forecast prepared in conjunction with the Governor’s budget recommendations and submitted to the General Assembly on December 17, 2003. This forecast assumes enactment of the Governor’s tax reform proposals (see Appendix A) and incorporates the impact of these changes into the revenue projections for the next six-years. The corresponding revenue growth is:

- +6.7 percent for fiscal year 2004;
- +6.9 percent for fiscal year 2005;
- +6.8 percent for fiscal year 2006;
- +6.0 percent for fiscal year 2007;
- +4.8 percent for fiscal year 2008;
- +5.6 percent for fiscal year 2009; and,
- +5.6 percent for fiscal year 2010.

The second forecast includes estimates of general fund revenues assuming continuation of the current revenue structure with no adjustment for tax reform. In essence, it is a baseline forecast whereby future changes in revenue are determined primarily by the underlying economic assumptions as opposed to tax policy changes. The year-by-year revenue growth for this projection is:

- +6.8 percent for fiscal year 2004;
- +5.3 percent for fiscal year 2005;
- +5.1 percent for fiscal year 2006;
- +5.4 percent for fiscal year 2007;
- +4.5 percent for fiscal year 2008;
- +5.3 percent for fiscal year 2009; and,
- +5.2 percent for fiscal year 2010.

Transfers: There are four types of transfers included in the general fund resources.

Lottery Proceeds	The amounts shown for lottery transfers represent the official forecast for lottery profits as submitted to the General Assembly on December 17, 2003.
Revenue Stabilization Fund	The \$128.5 million transfer from the Revenue Stabilization Fund, as contained in the current Appropriation Act (Chapter 1042, 2003 Acts of Assembly), is eliminated in the proposed budget recommendations for fiscal year 2004. There is no additional transfer from the Fund during the six-year period covered in this forecast.
Federal Fiscal Relief	The Commonwealth received one-time federal fiscal relief in fiscal year 2004 in accordance with the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. This amount (\$240.7 million) is transferred in the proposed budget for fiscal year 2004 to reimburse the general fund for budgeted costs incurred for public education.
Other Transfers	In fiscal year 2004, other transfers represent savings from budget reductions on nongeneral fund programs and agencies as well as recurring transfers for indirect cost recoveries, ABC profits, and other charges payable to the general fund. For fiscal year 2005 and 2006, the portion of these transfers derived from nongeneral fund budget reductions is substantially reduced and all such transfers from the Department of Transportation are eliminated. Hence, the overall level of these transfers drops in the next two years. For fiscal year 2007 and beyond, "Other Transfers" consists solely of the recurring transfers (e.g., indirect cost recoveries and ABC profits, etc.) that normally appear in the Appropriation Act year after year. These are expected to stay stable at about \$87.5 million per year.

The sum of the balances, the projected revenue, and these different type of transfers equal the projected "Total Resources" for the general fund.

Spending: Similar to the general fund revenue projections contained in this report, there are two different forecasts for general fund spending requirements. The first projects spending from the

appropriation base contained in the Governor's budget proposals for fiscal years 2004, 2005 and 2006 including the spending recommendations that are contingent upon tax reform being enacted. These spending levels are compared to projected general fund resources which include the tax reform adjustments.

The second forecast for spending is built from a base appropriation level for fiscal year 2004, 2005 and 2006 excluding the spending recommendations that are contingent upon tax reform being enacted. This forecast, however, includes the allocation of one-third of the insurance gross premium tax to transportation, as required by current law, and provisions for future salary increases, including the three percent increase recommended by the Governor for fiscal year 2006 followed by a 2.5 percent increase every other year (fiscal years 2008 and 2010) over the forecast period.

The detailed assumptions to make both sets of the spending projections are outlined in Appendix B.

Results: The comparison of projected general fund resources versus general fund spending, assuming the Governor's tax reform proposals are enacted, is presented in Table 1. The results indicate that the bottom line is positive through fiscal year 2006. For the next three fiscal years (2007, 2008 and 2009), the difference results in a shortfall of resources to cover projected spending which averages about \$350 million per year. This trend is primarily caused by the full phase-in of car tax relief and the sales tax reduction on food during the period. In fiscal year 2010, the results turn positive again once the phase-in of the above adjustments are complete.

Table 2 shows the results for the same six-year period assuming no tax reform enactment. Here the bottom line turns to a shortfall in fiscal year 2005 and the shortfalls continue through fiscal year 2010. The highest level for these shortfalls occurs in the next biennium (fiscal year 2007-2008) before they begin to recede to the \$200 million range in fiscal year 2010. Thus, even if the difference in any given year is addressed, a shortfall reoccurs in the next year because annual cash flows are negative after fiscal year 2004.

Nongeneral Fund Financial Plan

Revenue: Nongeneral fund sources of revenue are specifically earmarked for certain purposes by law. Accordingly, there is little flexibility to shift these funds between spending needs. In many cases, if these sources of revenue are not adequate to cover spending requirements, the difference becomes a demand on the state's general fund. Such is the case when federal funds do not keep pace with programmatic needs. The state is forced into a decision to reduce or eliminate the program or to replace the difference with state (usually general fund) dollars.

Each year, state agencies and institutions do a six-year projection for each source of nongeneral fund revenue they collect. The projections for these individual sources are then aggregated to form the official nongeneral fund forecast that is submitted to the General Assembly in December.

The revenue projections included in this six-year plan are the same as the official nongeneral fund forecast presented on December 17, 2003. The only difference here is that the individual sources are aggregated by fund type rather than by source. This is because appropriations are made by fund type, not source. Thus, the presentation arrays revenue and spending data in the same format for comparative purposes.

Spending: Because nongeneral fund sources are earmarked by law, it is important that the projections for current sources be sufficient enough to cover caseload growth and cost or inflationary pressures in the programs to which they are dedicated. To ascertain that this is the case, spending in each fund group is projected in this plan to grow in sync with the compound growth rate attributable to inflation (+2.5 percent per year) and caseload changes. This baseline projection for spending is then compared to the projections of revenue for the same fund type to determine whether projected revenues appear adequate to meet future needs.

For “Special Fund,” “Commonwealth Transportation Fund,” “Dedicated Special Fund,” “Trust and Agency Fund,” and “Federal Trust Fund” spending caseload growth is assumed to be the projected change in total population for the state. For “Higher Education Operating Fund,” the caseload is the growth for in-state enrollment (headcount) at the state universities and the community college system.

Results: The projections for the various nongeneral fund groups indicate that projected revenues for most will be adequate to meet baseline demands caused by caseload changes and inflationary increases. There are two exceptions. The first is the Commonwealth Transportation Fund. Here revenues are projected to increase by +2.6 percent for fiscal year 2007; +2.3 percent for fiscal year 2008; +1.8 percent for fiscal year 2009; and, +1.9 percent for fiscal year 2010. This is somewhat below the growth pressures brought on by population growth and inflation, which should generally average about +3.8 percent during this period. The second is “Trust and Agency” type funds. In this case the overall pattern is influenced by the state’s Unemployment Compensation Trust Fund. Unemployment benefits are expected to draw down balances in the Fund over the next few years as benefit payments exceed current revenues. Accordingly, it is not surprising that the official forecast for these collections would be less than the spending requirements derived by this baseline methodology.

Table 1
General Fund Financial Plan
(Including Tax Reform)
Fiscal Years 2004 Through 2010
 \$ in Millions

	FY2004	FY2004	Budget Bill ^b		FY2007	FY2008	FY2009	FY2010
	<u>Enacted</u>	<u>Revised^a</u>	<u>FY2005</u>	<u>FY2006</u>				
Resources:								
Balances	\$ 102.7	\$ 85.6	\$ 358.4	\$ 132.6	\$ 9.5	\$ -	\$ -	\$ -
Revenue	11,366.2	11,592.0	12,397.3	13,234.6	14,026.4	14,694.2	15,520.0	16,381.6
Lottery Proceeds	371.4	386.1	395.0	402.0	402.0	402.0	402.0	402.0
Revenue Stabilization Fund	128.5	-	-	-	-	-	-	-
Federal Fiscal Relief	-	240.7	-	-	-	-	-	-
Other Transfers	324.8	354.7	125.3	123.2	87.5	87.5	87.5	87.5
Total Resources	\$ 12,293.6	\$ 12,659.1	\$ 13,276.0	\$ 13,892.4	\$ 14,525.4	\$ 15,183.7	\$ 16,009.5	\$ 16,871.1
Spending:								
Public Education	\$ 4,059.4	\$ 4,131.6	\$ 4,450.7	\$ 4,535.6	\$ 4,822.5	\$ 4,874.3	\$ 5,123.9	\$ 5,175.1
Higher Education	1,323.7	1,324.9	1,432.9	1,435.2	1,480.4	1,511.1	1,538.2	1,566.5
Medicaid	1,641.6	1,641.3	1,583.3	1,784.7	1,949.4	2,127.1	2,318.9	2,525.8
Other Health & Human Resources	1,221.2	1,276.1	1,344.5	1,387.6	1,428.9	1,455.9	1,479.2	1,504.5
Public Safety	2,124.4	2,127.2	2,247.2	2,282.2	2,339.8	2,361.6	2,383.4	2,407.4
Transportation	-	73.0	207.9	219.1	223.5	231.5	237.7	244.1
Car Tax Relief	920.7	892.3	973.7	1,127.7	1,295.7	1,477.2	1,643.7	1,731.3
Debt Service	285.2	271.0	303.3	349.7	398.9	422.0	438.0	432.1
Revenue Stabilization Fund	-	-	-	87.0	79.7	94.7	155.2	73.5
December 2003 Salary Increase	38.5	38.5	69.5	69.5	69.5	69.5	69.5	69.5
Future Salary Increase	-	-	-	105.3	190.1	286.8	361.7	465.4
All Other Operating	644.9	508.4	495.3	471.6	537.5	544.1	560.9	569.4
Capital Outlay	16.4	16.4	35.2	27.7	60.2	52.7	85.2	77.7
Total Spending	\$ 12,276.0	\$ 12,300.7	\$ 13,143.5	\$ 13,882.9	\$ 14,876.1	\$ 15,508.5	\$ 16,395.5	\$ 16,842.3
Difference Resources vs. Spending	\$ 17.6	\$ 358.4	\$ 132.5	\$ 9.5	\$ (350.7)	\$ (324.8)	\$ (386.0)	\$ 28.8

Footnotes

^a As proposed in HB29/SB29, 2004 session (Caboose Budget Bill for FY2004).

^b As proposed in HB30/SB30, 2004 session (2004-2006 Introduced Budget Bill).

Table 2
General Fund Financial Plan
(Excluding Tax Reform)
Fiscal Years 2004 Through 2010
\$ in Millions

	<u>FY2004 Enacted</u>	<u>FY2004 Revised^a</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Resources:								
Balances	\$ 102.7	\$ 85.6	\$ 372.5	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue	11,366.2	11,606.3	12,215.7	12,840.5	13,531.1	14,135.8	14,890.8	15,667.8
Lottery Proceeds	371.4	386.1	395.0	402.0	402.0	402.0	402.0	402.0
Revenue Stabilization Fund	128.5	-	-	-	-	-	-	-
Federal Fiscal Relief	-	240.7	-	-	-	-	-	-
Other Transfers	324.8	354.7	125.3	123.2	87.5	87.5	87.5	87.5
Total Resources	\$ 12,293.6	\$ 12,673.4	\$ 13,108.5	\$ 13,365.7	\$ 14,020.6	\$ 14,625.3	\$ 15,380.3	\$ 16,157.3
Spending:								
Public Education	\$ 4,059.4	\$ 4,131.6	\$ 4,435.9	\$ 4,519.2	\$ 4,805.4	\$ 4,856.4	\$ 5,105.3	\$ 5,155.8
Higher Education	1,323.7	1,324.9	1,383.3	1,385.3	1,398.6	1,405.3	1,408.3	1,412.5
Medicaid	1,641.6	2,917.4	3,226.7	3,414.0	3,620.0	3,824.7	4,039.9	4,272.0
Other Health & Human Resources	1,221.2	-	-	-	-	-	-	-
Public Safety	2,124.4	2,127.2	2,232.9	2,255.0	2,311.3	2,331.9	2,352.4	2,375.1
Car Tax Relief	920.7	892.3	947.9	996.9	1,046.8	1,098.3	1,153.2	1,210.9
Debt Service	285.2	271.0	303.3	349.7	398.9	422.0	438.0	432.1
Transportation	-	73.0	207.9	219.1	223.5	231.5	237.7	244.1
December 2003 Salary Increase	38.5	38.5	69.5	69.5	69.5	69.5	69.5	69.5
Revenue Stabilization Fund	-	-	-	87.0	79.7	94.7	155.2	73.5
Future Salary Increase	-	-	-	105.3	190.1	286.8	361.7	465.4
All Other Operating	644.9	508.6	485.3	464.3	536.5	548.9	555.8	564.2
Capital Outlay	16.4	16.4	35.2	27.7	60.2	52.7	85.2	77.7
Total Spending	\$ 12,276.0	\$ 12,300.9	\$ 13,327.9	\$ 13,893.0	\$ 14,740.5	\$ 15,222.7	\$ 15,962.2	\$ 16,352.8
Difference Resources vs. Spending	\$ 17.6	\$ 372.5	\$ (219.4)	\$ (527.3)	\$ (719.9)	\$ (597.4)	\$ (581.9)	\$ (195.5)

Footnotes

^a As proposed in HB29/SB29, 2004 session excluding tax reform adjustments.

Table 3
Nongeneral Fund Financial Plan ^a
Fiscal Years 2004 Through 2010
 \$ in Millions

	FY2004	FY2004	Budget Bill		FY2007	FY2008	FY2009	FY2010
	Enacted	Revised ^b	FY2005	FY2006				
Resources:								
Special Fund	\$ 1,399.9	\$ 1,395.5	\$ 1,731.3	\$ 1,747.6	\$ 1,817.5	\$ 1,866.2	\$ 2,011.2	\$ 2,116.7
Higher Education Operating	3,599.9	3,707.0	3,931.8	4,130.1	4,353.0	4,582.6	4,789.8	5,032.4
Commonwealth Transportation	3,252.2	3,372.4	3,063.1	3,266.8	3,351.2	3,427.4	3,488.7	3,553.6
Trust and Agency	981.5	1,151.3	1,154.6	1,193.3	1,114.3	1,012.2	940.9	921.1
Dedicated Special	388.7	414.7	422.3	423.9	425.1	429.7	428.4	427.7
Federal Trust	4,140.3	4,345.1	4,247.6	4,446.1	4,667.8	4,873.5	5,106.9	5,356.8
Total Resources	\$ 13,762.5	\$ 14,386.0	\$ 14,550.7	\$ 15,207.8	\$ 15,728.9	\$ 16,191.6	\$ 16,765.9	\$ 17,408.3
Spending:								
Special Fund	\$ 1,363.6	\$ 1,352.1	\$ 1,666.6	\$ 1,652.1	\$ 1,723.2	\$ 1,785.0	\$ 1,848.8	\$ 1,914.8
Higher Education Operating	3,574.6	3,574.6 ^c	3,957.5	4,132.5	4,291.1	4,454.2	4,622.6	4,795.5
Commonwealth Transportation	3,193.9	3,193.9	3,009.9	3,197.4	3,335.0	3,454.6	3,578.1	3,705.7
Trust and Agency	893.2	893.2	1,085.8	1,094.4	1,141.5	1,182.4	1,224.7	1,268.4
Dedicated Special	258.4	258.5	304.8	305.4	318.5	329.9	341.8	354.0
Federal Trust	3,734.5	3,976.1	4,140.4	4,340.9	4,527.7	4,690.1	4,857.8	5,031.0
Total Spending	\$ 13,018.2	\$ 13,248.4	\$ 14,165.0	\$ 14,722.7	\$ 15,337.0	\$ 15,896.2	\$ 16,473.8	\$ 17,069.4
Difference Resources vs. Spending	\$ 744.3	\$ 1,137.6	\$ 385.7	\$ 485.1	\$ 391.9	\$ 295.4	\$ 292.1	\$ 338.9

Footnotes

^a Excludes internal service, enterprise, and debt service funds.

^b As proposed in HB29/SB29, 2004 session (Caboose Bill for FY 2004).

^c Spending from tuition increases are authorized by language in the budget bill but stated appropriation amounts are not revised.

Appendix A

Summary of Governor Warner's Tax Reform Plan

Individual Income Tax (Effective January 1, 2005 unless otherwise noted)

	Current Structure	Governor Warner's Plan
<i>Personal and Dependent Exemption</i>	\$800	\$1,000
Standard Deduction		
<i>Single</i>	\$3,000	\$4,000
<i>Married Filing Jointly</i>	\$5,000	\$8,000
<i>Married Filing Separately</i>	\$2,500	\$4,000
Rates and Brackets	For taxable income: \$0-\$3,000 2% \$3,001-\$5,000 3% \$5,001-\$17,000 5% \$17,001-over 5.75%	For taxable revenue: \$0-\$3,000 2% \$3,001-\$7,000 3% \$7,001-\$20,000 5% \$20,001-\$100,000 5.75% \$100,001-Over 6.25%
Filing Threshold		
<i>Single</i>	\$5,000	\$7,000
<i>Married Filing Jointly</i>	\$8,000	\$14,000
<i>Married Filing Separately</i>	\$4,000	\$7,000

Individual Income Tax Continued (Effective January 1, 2005 unless otherwise noted)

	Current Structure	Governor Warner's Plan
Age Deduction	\$12,000 for individuals 65 or older and \$6,000 for individuals age 62 through 64	<p>Individuals currently receiving the \$12,000 deduction (are currently at least 65) are not affected.</p> <p>Filers who turn 65 on or after January 1, 2005 will receive an age deduction based on their income.</p> <p>The age deduction for single individuals will be reduced by \$1 for every \$2 above \$50,000, phasing out at \$74,000.</p> <p>The age deduction for married couples will be reduced by \$1 for every \$2 above \$75,000, phasing out at \$123,000.</p> <p>The current \$6,000 deduction for individuals who are 62-64 may be claimed only by filers who turn 62 on or before January 1, 2005.</p>
<i>Military Family Tax Relief Act</i>	Virginia does not conform.	<p>Virginia will conform for all affected taxable years; allowing federal tax relief to apply to the Virginia income tax. Examples of this tax relief are a deduction that allows people who serve in the National Guard to deduct up to \$1,500 in expenses for overnight travel associated with their duty and a capital gain exclusion for military personnel who sell a home owned for less than two years.</p>

Sales Tax

	Current Structure	Governor Warner's Plan
Sales Tax	Current combined state and local rate of 4.5%	1% increase in sales tax, excluding food, to a combined state and local rate of 5.5% effective July 1, 2004.
Sales Tax on Food	Current combined state and local rate of 4.0%	1% reduction in food tax rate effective July 1, 2004; an additional 0.5% reduction in food tax rate effective July 1, 2005.
Streamlined Sales Tax Statute	Virginia has not adopted the provisions of the multi-state Streamlined sales tax agreement, which is intended to simplify and standardize sales tax laws across the states.	Adopt the Streamlined sales tax statute (without the sourcing rules), effective July 1, 2006.

Business Tax Provisions (Effective January 1, 2004 unless otherwise noted)

	Current Structure	Governor Warner's Plan
Repeal of the accelerated sales tax	Sales tax dealers with annual sales of \$1.3 million or more must make a prepayment in June of 90% of their June sales tax liability.	This requirement is repealed, effective July 1, 2004. Affected dealers will not have to make an accelerated payment in June, 2005.
Close Intangible Holding Company Loophole	Virginia must currently prove that transactions with intangible holding companies improperly reflect Virginia income.	Effects of transactions with intangible holding companies will be eliminated from the corporate income tax computation.
"Sales Throwback" Rule	Virginia currently does not require that sales shipped from a Virginia site be included in computing Virginia tax if the corporation is not subject to tax in other states.	Sales throwback rule would treat sales made into states where the corporation is not taxable as Virginia sales.
Pass-Through Entities	Currently, federal law provides that these entities be taxed at the ownership level; however most are not required to provide information to Virginia that identifies the owners. At present, only S corporations are required to file an annual informational income tax return with Virginia.	All other pass-through entities (partnerships & limited liability companies) will be required to file an annual informational income tax return with Virginia.

	Current Structure	Governor Warner's Plan
Deductions for Equipment Purchases (Federal Conformity to § 179 Expensing)	Virginia allows businesses to deduct as a business expense up to \$25,000 in equipment or similar purchases.	Virginia will conform to new federal law for all affected tax years, allowing businesses to deduct up to \$100,000 in equipment or similar purchases each year.

Cigarette Tax

	Current Structure	Governor Warner's Plan
State Cigarette Tax	Rate of 2.5 cents per pack	Increase rate by 22.5 cents to a total of \$.25 per pack effective July 1, 2004.
Local Cigarette Tax	Authority to impose is limited to cities, towns, and two counties.	<p>Allow all localities to impose a cigarette tax up to a maximum rate of 50 cents per pack. Localities currently levying the tax a rate above 50 cents per pack are grandfathered.</p> <p>Counties would be allowed to increase the local tax over three years as follows:</p> <p style="padding-left: 40px;">FY 05 – 20 cents FY 06 – 35 cents FY 07 – 50 cents</p>

Car Tax Relief	Reimbursements are currently frozen at 70% of liability.	Increase reimbursements to 77.5% -for CY 2005, 85% for CY 2006, 92.5% for CY 2007, and 100% for CY2008, subject to the same conditions as are in the <u>Code of Virginia</u> now for revenue growth.
----------------	--	--

Estate Tax	Tax is imposed on the transfer of taxable estates in excess of \$1.5 million.	Effective for deaths occurring on and after January 1, 2004, the tax is imposed only on the transfer of taxable estates in excess of \$10 million. No tax is imposed on estates if the majority of the estate consists of an interest in a closely held business or a working farm.
------------	---	---

Appendix B

Detailed Assumptions About General Fund Spending Through Fiscal Year 2010

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 rebased using the latest prevailing instructional and support costs and enrollment (ADM and fall membership) information. Out-year spending assumes a biennial rebasing of 7.015 percent (3 percent annual plus 1 percent enrollment growth). Figures are adjusted for Lottery and sales tax basic aid offsets based on the official revenue estimates for these sources.
- ❖ Sales Tax is based on final Governor's Advisory Council on Revenue Estimates (GACRE) numbers adjusted for several miscellaneous items such as compliance collections.
- ❖ Lottery Proceeds are based on final estimates for fiscal years 2005 and 2006 provided by the State Lottery Department. Out-year projections held constant at the fiscal year 2006 estimate.
- ❖ Fringe Benefits are based on the VRS unpooled, 30-year amortization rates and continued use of Literary Fund resources to support teacher retirement and social security payments.
- ❖ Categorical Grants for 2004-2006 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 held constant.
- ❖ Department of Education Central Office amounts for fiscal years 2004-2006 are based on maintaining existing requirements such as Standards of Learning (SOL) testing, No Child Left Behind, and web-based on-line testing. The out-year spending assumes a three percent annual increase in the cost of this contract, as one-third of the department's general fund budget is the SOL testing vendor contract.

Contingent on Tax Reform:

- ❖ English as a Second Language assumes an increase in the number of instructional positions from 10 to 17 positions per 1,000 students during the 2004-2006 biennium. Out-years assume a 4.03 percent increase (3 percent annual rebasing plus 1 percent for enrollment growth).
- ❖ Cost of Competing assumes an increase in the cost of competing adjustment for Northern Virginia from 20.92 to 24.61 percent during the 2004-2005 biennium. Out-years assume a 4.03 percent increase (three percent annual rebasing plus 1 percent for enrollment growth).

- ❖ At-risk four-year-olds payments for 2004-2006 assume a reduction in the Title I deduction from 100 to 67 percent. Out-years assume a 4.03 percent increase (3 percent annual rebasing plus 1 percent for enrollment growth).

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

Includes the two schools for the deaf and blind.

Six-year Spending Forecast
Public Education
GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
SOQ Related and Incentive-Based Programs	\$2,633.7	\$2,827.4	\$2,842.2	\$3,007.7	\$3,000.4	\$3,176.1	\$3,166.9
Sales Tax Distribution	\$837.5	\$884.0	\$926.0	\$965.1	\$1,006.5	\$1,051.4	\$1,098.2
Lottery Proceeds Distribution	\$396.4	\$395.0	\$402.0	\$402.0	\$402.0	\$402.0	\$402.0
Fringe Benefits for SOQ related positions	\$70.4	\$133.5	\$139.2	\$216.4	\$228.7	\$252.2	\$260.2
Categorical Grants	\$131.3	\$123.8	\$131.3	\$135.2	\$139.2	\$143.4	\$147.7
All Other Direct Aid	\$3.1	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.9
 Department of Education - Central Office	 \$46.9	 \$53.8	 \$60.1	 \$60.7	 \$61.3	 \$62.0	 \$62.6
 All Other K-12 Miscellaneous	 12.3	 \$12.4	 \$12.4	 \$12.4	 \$12.4	 \$12.4	 \$12.4
<i>Subtotal, spending and savings items</i>	<i>\$4,131.6</i>	<i>\$4,435.9</i>	<i>\$4,519.2</i>	<i>\$4,805.4</i>	<i>\$4,856.4</i>	<i>\$5,105.3</i>	<i>\$5,155.8</i>
 Spending, contingent on tax reform							
English as a second language - 17 positions/1000 students	\$0.0	\$9.1	\$10.6	\$11.0	\$11.5	\$11.9	\$12.4
Cost of competing	\$0.0	\$3.5	\$3.7	\$3.8	\$4.0	\$4.1	\$4.3
At-Risk four year old - 67% Title I deduction	\$0.0	\$2.2	\$2.2	\$2.3	\$2.4	\$2.5	\$2.6
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>\$14.8</i>	<i>\$16.5</i>	<i>\$17.1</i>	<i>\$17.8</i>	<i>\$18.5</i>	<i>\$19.3</i>
 Grand Total	 \$4,131.6	 \$4,450.7	 \$4,535.6	 \$4,822.5	 \$4,874.3	 \$5,123.9	 \$5,175.1
 Grand Total without Tax Reform	 \$4,131.6	 \$4,435.9	 \$4,519.2	 \$4,805.4	 \$4,856.4	 \$5,105.3	 \$5,155.8

General Fund Spending Through Fiscal Year 2010 Higher Education

Assumptions About Spending

- ❖ Amounts for base operating needs are consistent with the funding guidelines recommended by the Joint Subcommittee on Higher Education Funding Policies. The amounts begin a six-year phase-in toward 95 percent of an estimated \$269 million shortfall in base operating needs. In addition, the projections include funding to recognize in-state enrollment growth at the institutions of higher education based on the State Council of Higher Education's latest enrollment demand projections (July 2003). Funding is calculated based on a 75 percent marginal cost factor per student. The proposed funding for base operation needs and enrollment growth returns to a state policy whereby state tax funds support 60 percent of the cost of education for in-state students (70 percent at the Community Colleges). This initiative is contingent on tax reform.
- ❖ Amounts for higher education include funding to expand research capacity at institutions of higher education. These funds support programs that have the potential to be national leaders in their fields. These amounts also include funding to help six research institutions connect to the National LambdaRail and TeraGrid, two high-speed research data networks being used by top research institutions across the country. While the majority of these funds are one-time investments, \$1.3 million supports ongoing research initiatives. This initiative is contingent on tax reform.
- ❖ Projections for the Tuition Assistance Grant (TAG) and Student Financial Assistance programs factor in projected growth in enrollment based on an average annual growth of 1.1 and 1.34 percent, respectively. The additional amounts for Tuition Assistance Grants is contingent on tax reform.
- ❖ Amounts for Operating and Maintenance of new facilities are based on projected completion of nearly \$1.0 billion in capital projects authorized in 2002, including the General Obligation Bond Act.

All Other Miscellaneous Spending Category Includes:

Cooperative Extension Programs
Eminent Scholars Program
Virginia Museum of Fine Arts
Science Museum of Virginia
Frontier Culture Museum
Gunston Hall
Jamestown-Yorktown Foundation
State Library & Archives
Local Library Aid
Commission for the Arts (Local Arts Programs)
Eastern Virginia Medical School
Roanoke Higher Education Authority
Southwest Virginia Higher Education Center
Southeastern Universities Research Association

Six Year Spending Forecast

Higher Education

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Educational and General Programs	\$1,107.2	\$1,149.0	\$1,149.1	\$1,149.1	\$1,149.1	\$1,149.1	\$1,149.1
Operating and maintenance for new facilities	\$0.0	\$1.4	\$2.3	\$11.4	\$16.4	\$18.8	\$21.4
Student Financial Assistance	\$82.5	\$87.1	\$87.1	\$89.4	\$90.6	\$91.8	\$93.1
Office for Civil Rights Accord (Norfolk State & Virginia State Universities)	\$13.8	\$15.2	\$16.4	\$16.4	\$16.4	\$16.4	\$16.4
Tidewater Community College headquarters in Norfolk	\$0.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
Medical Education Campus, Northern Virginia-Virginia Community College System,	\$0.0	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5
Tuition Assistance Grant (TAG)-State Council of Higher Education	\$38.1	\$38.1	\$38.1	\$38.9	\$39.3	\$39.8	\$40.2
Virtual Library of Virginia (VIVA)-State Council of Higher Education	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1	\$4.1
Private college transfer grants-State Council of Higher Education	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Student Participation and Success-State Council of Higher Education	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Fund GEAR-UP-State Council of Higher Education	\$0.0	\$0.0	\$0.0	\$1.1	\$1.1	\$0.0	\$0.0
Virginia Cancer Research Fund - Secretary of Education	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Jamestown/Yorktown Operating and Maintenance costs	\$0.0	\$1.0	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2
Virginia Space Grant Consortium	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
All other miscellaneous spending	\$79.2	\$82.9	\$82.7	\$82.7	\$82.7	\$82.7	\$82.7
<i>Subtotal, spending and savings items</i>	<i>\$1,324.9</i>	<i>\$1,383.3</i>	<i>\$1,385.3</i>	<i>\$1,398.6</i>	<i>\$1,405.3</i>	<i>\$1,408.3</i>	<i>\$1,412.5</i>

Six Year Spending Forecast

Higher Education

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending , contingent on tax reform							
Base Adequacy/Enrollment Growth	\$0.0	\$30.4	\$42.2	\$74.0	\$98.1	\$122.1	\$146.1
Higher education research	\$0.0	\$9.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
Access to advanced research communications networks	\$0.0	\$2.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Virginia Tech Extension Agricultural Research Institute for Advanced Learning and Research (Danville)	\$0.0	\$0.6	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
Higher Education centers in Southwest Virginia and Roanoke	\$0.0	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
Economic Bridge-Radford University	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Military tuition waivers-State Council of Higher Education	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Tuition Assistance Grant (TAG)-State Council of Higher Education	\$0.0	\$2.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Virtual Library of Virginia (VIVA)-State Council of Higher Education	\$0.0	\$1.8	\$2.7	\$2.7	\$2.8	\$2.8	\$2.8
Funding for the arts-Commission for the Arts	\$0.0	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>\$49.6</i>	<i>\$49.9</i>	<i>\$81.7</i>	<i>\$105.9</i>	<i>\$129.9</i>	<i>\$153.9</i>
Grand Total	\$1,324.9	\$1,432.9	\$1,435.2	\$1,480.4	\$1,511.1	\$1,538.2	\$1,566.5
Grand Total without Tax Reform	\$1,324.9	\$1,383.3	\$1,385.3	\$1,398.6	\$1,405.3	\$1,408.3	\$1,412.5

General Fund Spending Through Fiscal Year 2010

Health & Human Resources

Assumptions About Spending

- ❖ Medicaid utilization and inflation includes a base representing the adjusted Medicaid appropriation (excluding state-owned mental health and mental retardation facility services), but without the indigent health care appropriation to the teaching hospitals. Added to the resulting base is the estimated need from the November 15 consensus forecast for Medicaid expenditures. For fiscal year 2004, one-time federal fiscal relief for Medicaid reduces the forecasted general fund need by \$121.1 million. For fiscal year 2005 through fiscal year 2010, the estimated need reflects the availability of special funds resulting from the proposed Virginia Health Care Fund that are contingent on Tax Reform.
- ❖ The consensus Medicaid Expenditure Forecast is released by November 15 each year per section 31.1-232.1 of the Code of Virginia. The current forecast attributes growth to: growth in the number of indigent persons enrolled; increases in payments to teaching hospitals, nursing facilities, HMOs, and private inpatient hospitals; and continued growth in pharmacy unit costs and utilization. For years not included in the consensus expenditure forecast, it is assumed that historical trends of approximately eight percent continue through 2010.
- ❖ Medicaid (all other) includes additional funding for the Family Access to Medical Insurance Security Plan (FAMIS), medical assistance services for low-income children, adjustments to revenue maximization estimates, involuntary mental commitments, and Medicare crossover repricing in FY 2004.
- ❖ Medicaid (savings) includes amounts realized from incorporating the Medicaid AIDS Waiver into the Medicaid Elderly and Disabled Waiver; reducing rates for durable medical equipment; removing administrative funding for a disease state management program; and, implementing a state maximum allowable cost program for generic drugs.
- ❖ Indigent health care reflects the total indigent care appropriation for the Virginia Commonwealth University Health System and the University of Virginia Health System, including \$2 million from the Senate Discretionary Fund, reduced by the estimated savings resulting from implemented reimbursement initiatives to reduce reliance on disproportionate share hospital (DSH) payments.
- ❖ Amounts for the Comprehensive Services Act are based on budget requests for the 2004-2006 biennium with a 6.5 percent annual growth rate for fiscal years 2007 through 2010.

- ❖ Although overall spending in the state mental health and mental retardation facilities remains constant, the biennium reflects the anticipated shortfall in the agency's overall revenue and the corresponding need for additional general fund in order to continue to operate and staff Virginia's mental health treatment centers.
- ❖ Expenditures for a program to treat civilly committed sexually violent predators reflect budget requests for the biennium based on the projected continued increase in the population and the resulting workload increase for treatment and security. Security is especially emphasized. Funding is also included in each year for the costs associated with treatment and monitoring for those individuals who are conditionally released to the community. The forecast for the program 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.
- ❖ Aside from the Olmstead-related programs referred to under *Contingent on Tax Reform*, community mental health and mental retardation programs within the community services boards have been level funded 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.
- ❖ The cost increase for Electronic Benefits Transfer (EBT) reflects processing costs associated with a 12 percent caseload increase. The spending level assumes that the caseload will level off after the 12 percent increase and the anticipated fiscal year 2006 expenditures are level funded through fiscal year 2010.
- ❖ TANF benefits and maintenance of effort (MOE) shortfalls are addressed in the 2004-2006 biennium and level funded through fiscal year 2010.
- ❖ Spending associated with supporting childcare services for at-risk, low-income families is level funded through fiscal year 2010.
- ❖ The need to restore temporary savings in Child Support Enforcement has been deferred for another two years, a result of the Department of Social Services receiving another federal performance bonus (\$3.2 million) for child support enforcement. In order to provide adequate service and avoid penalties in the future, the general fund dollars are restored once federal incentives have ceased.
- ❖ Special needs adoption subsidy obligations are fully funded for fiscal year 2004 and 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 conservative growth of 10 percent each year. This projection is viewed as conservative because the growth rate has historically been higher than 14 percent for this program.

Contingent on Tax Reform

- ❖ The proposed change in hospital adjustment factor will result in hospitals being reimbursed 25 percent below allowable cost as opposed to the current 28 percent. The adjustment factor reflects the amount of discount the Commonwealth receives relative to the hospitals' cost. This funding is contingent upon passage of the Governor's proposed tax reform legislation.
- ❖ Payments to nursing facilities provide for a \$3 per day increase in nursing facility rates. This funding is contingent upon passage of the Governor's proposed tax reform legislation.
- ❖ Funding related to the Supreme Court's 1999 Olmstead decision consists of 160 mental retardation waiver slots for \$2.7 million in fiscal year 2005 and \$4.0 million in fiscal year 2006; 77 mental health discharge plans for \$3.6 million in fiscal year 2005 and \$5.4 million in fiscal year 2006; 25 developmental disability waiver slots for \$0.3 million in fiscal year 2005 and \$0.5 million in fiscal year 2006; new guardianship and conservator projects for \$0.1 million in fiscal year 2005 and \$0.3 million in fiscal year 2006; and three new programs of assertive community treatment (PACT) teams for \$2.0 million in fiscal year 2005 and \$2.6 million in fiscal year 2006. All of the Olmstead initiatives are level funded in future biennia. This funding is contingent upon passage of the Governor's proposed tax reform legislation.

All Other Miscellaneous Spending Category

All other miscellaneous spending includes general fund expenditures in all health and human resource agencies. Except where set out above, costs are assumed to be flat for the following:

Woodrow Wilson Rehabilitation Center
Virginia Department for the Blind and Vision Impaired
Department for the Deaf and Hard of Hearing
Community Health Services
Virginia Board for People with Disabilities
Virginia Rehabilitation Center for the Blind and Vision Impaired

Six Year Spending Forecast Health and Human Resources

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Comprehensive Services Act (special education & foster care)	\$169.0	\$187.9	\$196.9	\$209.7	\$223.3	\$237.8	\$253.3
Medicaid utilization and inflation	\$1,515.2	\$1,765.7	\$1,929.5	\$2,094.2	\$2,271.9	\$2,463.7	\$2,670.6
Medicaid (all other)	\$240.3	\$219.9	\$223.6	\$223.6	\$223.6	\$223.6	\$223.6
Medicaid (savings)	(\$8.4)	(\$8.2)	(\$8.2)	(\$8.2)	(\$8.2)	(\$8.2)	(\$8.2)
Indigent health care	\$134.5	\$136.5	\$139.7	\$139.7	\$139.7	\$139.7	\$139.7
State mental health/mental retardation facilities	\$232.1	\$235.4	\$235.4	\$235.4	\$235.4	\$235.4	\$235.4
Community mental health/mental retardation programs	\$149.9	\$149.9	\$149.9	\$149.9	\$149.9	\$149.9	\$149.9
Civil Commitment of Sexually Violent Predators	\$2.8	\$5.5	\$7.7	\$9.6	\$14.9	\$14.9	\$14.9
Community Health Programs	\$81.2	\$81.2	\$81.2	\$81.2	\$81.2	\$81.2	\$81.2
Foster care (Title IV-E) maintenance	\$31.5	\$35.4	\$38.9	\$50.2	\$54.5	\$59.2	\$64.4
Electronic Benefits Transfer (EBT) costs	\$3.3	\$4.6	\$3.6	\$3.6	\$3.6	\$3.6	\$3.6
TANF benefits and maintenance of effort (MOE) shortfalls	\$105.7	\$116.1	\$116.1	\$116.1	\$116.1	\$116.1	\$116.1
Child care services for the at-risk, low-income	\$24.0	\$27.3	\$27.3	\$27.3	\$27.3	\$27.3	\$27.3
Restore one-time savings in Child Support Enforcement	\$0.0	\$0.0	\$0.0	\$3.2	\$3.2	\$3.2	\$3.2
Special needs adoption subsidy obligations	\$26.3	\$29.7	\$32.8	\$44.9	\$48.7	\$52.9	\$57.5
All other miscellaneous spending	\$209.9	\$239.8	\$239.6	\$239.6	\$239.6	\$239.6	\$239.6
<i>Subtotal, spending and savings items</i>	<i>\$2,917.4</i>	<i>\$3,226.7</i>	<i>\$3,414.0</i>	<i>\$3,620.0</i>	<i>\$3,824.7</i>	<i>\$4,039.9</i>	<i>\$4,272.1</i>
Spending , contingent on tax reform							
Health Care Special Fund	\$0.0	(\$310.7)	(\$276.3)	(\$276.3)	(\$276.3)	(\$276.3)	(\$276.3)
Hospital adjustment factor	\$0.0	\$0.0	\$9.1	\$9.1	\$9.1	\$9.1	\$9.1
Payments to nursing facilities	\$0.0	\$0.0	\$9.7	\$9.7	\$9.7	\$9.7	\$9.7
Olmstead initiatives (facility discharges, mental retardation waivers, and community programs)	\$0.0	\$11.7	\$15.7	\$15.7	\$15.7	\$15.7	\$15.7
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>(\$299.0)</i>	<i>(\$241.7)</i>	<i>(\$241.7)</i>	<i>(\$241.7)</i>	<i>(\$241.7)</i>	<i>(\$241.7)</i>
Grand Total	\$2,917.4	\$2,927.7	\$3,172.3	\$3,378.3	\$3,583.0	\$3,798.2	\$4,030.3
Grand Total without Tax Reform	\$2,917.4	\$3,226.7	\$3,414.0	\$3,620.0	\$3,824.7	\$4,039.9	\$4,272.1

General Fund Spending Through Fiscal Year 2010

Public Safety

Assumptions About Spending

- ❖ Operation of Adult Prisons includes all the costs of operating adult correctional facilities. Based on state responsible offender forecasts, it is assumed that Virginia will have to discontinue the housing of out-of-state prisoners in the near future and replace the lost revenue from that enterprise. The data for fiscal year 2005 and fiscal year 2006 include additional general fund appropriation for that purpose, as well as additional funds for direct inmate costs, resulting primarily from higher medical costs. Furthermore, additional funds are included to increase the bed capacity of the prison system, including the re-opening of Nottoway work center and adding temporary capacity to the system. In order to meet the need to house additional inmates in the future, existing prisons will need to be expanded and new prisons built. 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. The increases in fiscal year 2005 and fiscal year 2006 include additional funds for direct inmate costs.
- ❖ Local juvenile detention facilities includes the state's share of the costs for operating local secure detention facilities. The additional funding in fiscal year 2005 and fiscal year 2006 is for the state's share of the costs of the new Virginia Beach facility.
- ❖ State Police includes all the costs of operating the department. Additional funds are included in fiscal year 2005 and fiscal year 2006 for a trooper retention plan earlier approved by the Governor.
- ❖ Local deputy sheriffs includes the state's share of the costs of operating local sheriffs' departments. Additional funds are included in fiscal year 2005 and fiscal year 2006 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. For each year beyond the 2004-2006 biennium, it is assumed that an additional \$5 million will be needed for these purposes.
- ❖ Local per diems includes the state's share of the costs of housing local and state responsible prisoners in local and regional jails. The additional funds for the 2004-06 six-year period are based on the latest forecasts of state and local responsible inmates.
- ❖ The Criminal Fund amounts include the latest forecasted costs to the state for providing for indigent defense in criminal cases and involuntary mental commitments

in fiscal year 2005 and fiscal year 2006. For each year beyond the 2004-2006 biennium, it is assumed that an additional \$5 million will be needed.

- ❖ HB599 includes the funds provided to localities with police departments. The funds shown are the fiscal year 2004 budgeted appropriation.

Contingent on Tax Reform:

- ❖ The Commonwealth's Attorneys' Services Council includes funds to provide additional needed training for Commonwealth's attorneys.
- ❖ Additional HB 599 appropriation amounts for fiscal year 2005 and fiscal year 2006 are based on general fund forecasts for those years. The amounts for years beyond the 2004-2006 biennium are based on an annual average increase of 4.9 percent.
- ❖ Additional funding for Department of Juvenile Justice security positions provides funds to fill existing positions in juvenile correctional centers that are unfunded.
- ❖ A state police salary increase includes funding sufficient to provide an entry-level salary of \$31,000 for troopers.

All Other Miscellaneous Spending Category Includes:

Judicial System (Other than Criminal Fund)
Constitutional Officers other than Sheriffs (Clerks, Treasurers, Commissioners of the Revenue, and 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

Six Year Spending Forecast Public Safety

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Operation of Adult Prisons Facilities	619.1	662.2	671.2	702.5	710.6	710.6	710.6
Local juvenile detention facilities	66.7	72.0	72.2	72.2	72.2	72.2	72.2
State Police	29.9	32.9	32.4	32.4	32.4	32.4	32.4
Local deputy sheriffs	162.4	169.1	169.4	169.4	169.4	169.4	169.4
Local jail per diems	315.1	326.6	333.3	338.3	343.3	348.3	353.3
Criminal Fund	56.3	62.3	66.1	81.1	83.6	94.1	106.8
HB 599	76.9	78.4	81.7	86.7	91.7	96.7	101.7
Everything else	168.8	168.8	168.8	168.8	168.8	168.8	168.8
	-	-	-	-	-	-	-
All other miscellaneous spending	631.9	660.5	660.0	660.0	660.0	660.0	660.0
<i>Subtotal, spending and savings items</i>	-	-	-	-	-	-	-
	\$2,127.2	\$2,232.9	\$2,255.0	\$2,311.3	\$2,331.9	\$2,352.4	\$2,375.1
Spending , contingent on tax reform							
Commonwealth's Attorneys Services Council increase	-	0.2	0.2	0.2	0.2	0.2	0.2
Additional HB 599 appropriation	-	11.6	23.9	25.1	26.3	27.6	29.0
Additional funding for DJJ security positions	-	1.0	1.8	1.8	1.8	1.8	1.8
State police salary increase	-	1.5	1.5	1.5	1.5	1.5	1.5
<i>Subtotal, contingent on tax reform</i>	\$0.0	\$14.3	\$27.3	\$28.5	\$29.7	\$31.0	\$32.4
Grand Total	\$2,127.2	\$2,247.2	\$2,282.3	\$2,339.8	\$2,361.6	\$2,383.4	\$2,407.4
Grand Total without Tax Reform	\$2,127.2	\$2,232.9	\$2,255.0	\$2,311.3	\$2,331.9	\$2,352.4	\$2,375.1

General Fund Spending Through Fiscal Year 2010 Transportation

Assumptions About Spending

- ❖ Debt service for the Federal Highway Reimbursement Anticipation Notes (FRANs) is based on the planned debt service amount each year for the \$317 million FRAN bond issuance. The debt service amounts provided were calculated by the Department of Transportation.
- ❖ General fund support for the Route 58 Corridor Development Fund provided in lieu of the deposit of the state recordation taxes to the fund. The estimated amount is consistent with the current funding level.
- ❖ One-third of the gross premium tax on insurance companies (derived from automobile insurance), by law, is allocated to transportation for fiscal years 2005 and 2006. The estimated amount for 2007 to 2010 is based on the Department of Taxation's revenue estimate.
- ❖ Continue to provide support for the maintenance and operation of the Commonwealth's state jet. The amount provided is consistent with the current funding level of \$44,067 annually.

Six Year Spending Forecast

Transportation

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Pay FRAN debt service on \$317 million bond	\$32.9	\$37.4	\$37.4	\$37.4	\$37.4	\$37.4	\$37.4
Route 58 support	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0
Insurance License Tax	\$0.0	\$130.4	\$141.6	\$146.0	\$154.0	\$160.2	\$166.6
Commonwealth's state jet	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Subtotal, spending and savings items</i>	<i>\$73.0</i>	<i>\$207.9</i>	<i>\$219.1</i>	<i>\$223.5</i>	<i>\$231.5</i>	<i>\$237.7</i>	<i>\$244.1</i>
Spending , contingent on tax reform							
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
Grand Total	\$73.0	\$207.9	\$219.1	\$223.5	\$231.5	\$237.7	\$244.1
Grand Total without Tax Reform	\$73.0	\$207.9	\$219.1	\$223.5	\$231.5	\$237.7	\$244.1

General Fund Spending Through Fiscal Year 2010

Natural Resources

Assumptions About Spending

- ❖ Additional funding for water supply planning in the 2004-2006 biennium is for seven additional positions and to develop a water supply planning grant program for localities. This funding was straight-lined in the out-years.
- ❖ Funding to support sediment cleanup in the Elizabeth River was requested for only FY 2005 and is therefore assumed to be one-time funding.
- ❖ Funding for an environmental impact study of non-native oyster species in the Chesapeake Bay is for Virginia's share of a three-year study being conducted by the U.S. Army Corps of Engineers.
- ❖ Funding for construction of a seawall to protect the harbor on Tangier Island is for 20 percent of the total costs. The U.S. Army Corps of Engineers is constructing the seawall. Virginia's share will be paid out over the next 30 years. (A total of \$250,000 in FY 2005 and \$8,000 per year thereafter.)
- ❖ The FY 2005 Water Quality Improvement Fund deposit is based on calculations related to fiscal year 2003 excess revenues as well as fiscal year 2003 unreserved balances. No assumptions were made for years after fiscal year 2005.
- ❖ Additional funding for the dam safety program in the 2004-2006 biennium is for one position and to repair the most structurally unsound dams. The FY 2006 funding was straight-lined in the out-years.
- ❖ Funding for Department of Game and Inland Fisheries' operations is based on anticipated additional sales tax revenues resulting from the Governor's tax reform initiative. This funding was straight-lined in the out-years. (This funding is contingent on tax reform.)

All Other Miscellaneous Spending Category

All other miscellaneous spending includes the base budgets for all agencies in the Natural Resources Secretariat as well as central accounts adjustments, technical addenda, and savings strategies included in the introduced budget bill. These amounts were straight-lined in the out-years.

Six Year Spending Forecast

Natural Resources

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Water supply planning	\$0.9	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
Elizabeth River sediment cleanup	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Study of non-native oysters	\$0.0	\$0.1	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0
Tangier Island Seawall	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Water Quality Improvement Fund deposit	\$0.0	\$7.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Dam Safety program	\$0.6	\$0.8	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
All other miscellaneous spending	\$74.1	\$77.2	\$77.2	\$77.2	\$77.2	\$77.2	\$77.2
<i>Subtotal, spending and savings items</i>	<i>\$75.6</i>	<i>\$87.4</i>	<i>\$79.6</i>	<i>\$79.6</i>	<i>\$79.5</i>	<i>\$79.5</i>	<i>\$79.5</i>
Spending , contingent on tax reform							
Funding for Department of Game and Inland Fisheries for agency operations	\$0.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>\$0.7</i>	<i>\$0.7</i>	<i>\$0.7</i>	<i>\$0.7</i>	<i>\$0.7</i>	<i>\$0.7</i>
Grand Total	\$75.6	\$88.2	\$80.3	\$80.3	\$80.2	\$80.2	\$80.2
Grand Total without Tax Reform	\$75.6	\$87.4	\$79.6	\$79.6	\$79.5	\$79.5	\$79.5

General Fund Spending Through Fiscal Year 2010

Commerce and Trade

Assumptions About Spending

- ❖ Virginia Advanced Shipbuilding and Carrier Integration Center operations grants are projected to be \$20 million in each year of the 2006-2008 biennium. The Code of Virginia authorizes up to \$40 million in operations grants through fiscal year 2008. No funding was provided in the 2004-2006 biennium. The total amount authorized was divided evenly between each year of the 2006-2008 biennium.
- ❖ The last projected Solar Photovoltaic Manufacturing Incentive Grant Program payment will be made in fiscal year 2005 and is based on the number of watts produced and panels sold.
- ❖ Funding in the Department of Minority Business Enterprise (DMBE) for four additional procurement advocates in the 2004-2006 biennium was straight-lined in the out-years.
- ❖ The Virginia Economic Development Partnership (VEDP) estimates that funding for the Virginia Commission on Military Bases will not be needed after the 2004-2006 biennium. The funding included in the introduced budget bill for the 2004-2006 biennium 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.
- ❖ Funding in the Department of Labor and Industry (DOLI) for four field representatives to expand apprenticeship opportunities was straight-lined in the out-years.
- ❖ Funding to attract motor sports-related businesses to Virginia was straight-lined in the out-years.
- ❖ Funding for the Virginia Commercial Space Flight Authority in the 2004-2006 biennium was continued at the current level and was straight-lined in the out-years.
- ❖ Funding to establish a partnership leveraging program for outdoor resources tourism was straight-lined in the out-years.
- ❖ Funding in the Department of Housing and Community Development (DHCD) was included in the 2004-2006 biennium for five additional fire safety inspectors to increase fire safety in high-risk buildings. This funding was straight-lined in the out-years.

- ❖ Funding to market distressed localities was straight-lined in the out-years. (This funding is contingent on tax reform.)
- ❖ Funding to advertise and market the Jamestown 2007 commemoration and for a partnership leveraging program was straight-lined in the out-years. (This funding is contingent on tax reform.)

All Other Miscellaneous Spending Category

All other miscellaneous spending includes the base budgets for all agencies in the Commerce and Trade Secretariat as well as central accounts adjustments, technical addenda, and savings strategies included in the introduced budget bill. These amounts were straight-lined in the out-years.

Six Year Spending Forecast Economic Development

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Virginia Advanced Shipbuilding and Carrier Integration Center	\$0.0	\$0.0	\$0.0	\$20.0	\$20.0	\$0.0	\$0.0
Solar Photovoltaic Manufacturing Incentive Grant Program	\$0.0	\$1.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Provide funding for additional procurement advocates (DMBE)	\$0.0	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
Virginia Commission on Military Bases	\$0.0	\$0.7	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0
Expand Apprenticeship Opportunities (DOLI)	\$0.6	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
Provide funding to attract motor sports-related businesses to Virginia (VEDP)	\$0.0	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
Continue funding for the Virginia Commercial Space Flight Authority (VEDP)	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Establish partnership leveraging program for outdoor resources tourism	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Provide funding for increased fire safety in high risk buildings (DHCD)	\$2.0	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2
All other miscellaneous spending	\$109.0	\$110.7	\$110.6	\$110.6	\$110.6	\$110.6	\$110.6
<i>Subtotal, spending and savings items</i>	<i>\$111.7</i>	<i>\$117.1</i>	<i>\$114.7</i>	<i>\$134.4</i>	<i>\$134.4</i>	<i>\$114.4</i>	<i>\$114.4</i>
Spending , contingent on tax reform							
Provide funding to market distressed localities (VEDP)	\$0.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Provide funds to advertise and market the Jamestown 2007 commemoration and for a partnership leveraging program	\$0.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>\$2.0</i>	<i>\$2.0</i>	<i>\$2.0</i>	<i>\$2.0</i>	<i>\$2.0</i>	<i>\$2.0</i>
Grand Total	\$111.7	\$119.1	\$116.7	\$136.4	\$136.4	\$116.4	\$116.4
Grand Total without Tax Reform	\$111.7	\$117.1	\$114.7	\$134.4	\$134.4	\$114.4	\$114.4

General Fund Spending Through Fiscal Year 2010

General Government

Assumptions About Spending

- ❖ The Department of the 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 is consistent with the Capital Implementation Plan. The schedule for bond issuances for all other authorized projects is based on the latest draw schedules provided to Treasury in November. The amount also includes debt service on a \$52.2 million annual authorization of the Higher Education Equipment Fund. All currently authorized debt will be issued incrementally through fiscal year 2009. The estimate assumes that all authorized debt (all types) has been issued and debt service has leveled off by fiscal year 2010. The estimate was lowered slightly from the fiscal year 2010 amount to reflect the retirement of some debt.
- ❖ Revenue Stabilization Fund payments are based on projections provided by the Department of Taxation.
- ❖ Car Tax Relief is from the Department of Taxation forecast. Fiscal years 2005 and 2006 assume 70 percent reimbursement of car tax for vehicles valued at \$20,000 or below. The numbers are based on the assumption that car tax relief will remain frozen at 70 percent until fiscal year 2008 when it is assumed that car tax relief will be at 100 percent.
- ❖ School efficiency reviews for fiscal year 2005 are based on 12 staff positions plus one supervisor to perform 15 reviews. For fiscal year 2006, 16 staff positions plus two supervisors to perform 20 reviews is assumed. Contracting costs in each year are projected to be \$104,000 per review. Future years are straight-lined.
- ❖ ABC Profits/Wine Tax/Recordation Taxes for fiscal year 2004, fiscal year 2005, and fiscal year 2006 are based on projections provided by the Department of Taxation and the Department of Alcoholic Beverage Control (ABC). Future years 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 \$500,000 adjustment to the base for additional buildings as the renovated and expanded Finance building and Capitol extension should be on-line.
- ❖ 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.
- ❖ Funding for equipment leased by the Department of Taxation (Taxation) 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. Taxation 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. Beyond the 2004-2006 biennium, the amounts reflect the fluctuation in the payments as leases expire and are renegotiated. Also, the leases are for different amounts and for different types of equipment, some more costly than others. It is expected that the master equipment lease program will be used for equipment.
- ❖ Semiconductor manufacturing performance grant programs projections assume a total of \$18.6 million for Micron and \$15.0 million for Infineon over the fiscal year 2005-2009 period, or \$6.7 million annually. No funding required for fiscal year 2010 and beyond.
 - ❖ Governor's Development Opportunity Fund is straight-lined beyond fiscal year 2006.
 - ❖ State liability insurance program (property and automobile insurance) projections are based on fiscal year 2002 actuarial reports of the programs and the recommendation of the Division of Risk Management in the Department of the Treasury. The out years are based on a rough estimate of the historical trend of increased claims costs resulting in a need for future funding.
 - ❖ Group Insurance for State Employees assumes current premium holiday will continue in 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 2004-2006 used 30 year amortization period: for state employees (8.91 percent) and the calculated rates for the other programs (State Police = 21.49 percent VaLORS = 21.99 percent, Judges = 35.55 percent. Future rate estimates provided by VRS actuary. Costs shown are above 2004-06 base budget rates.
 - ❖ State employee health credit contributions use for 2004-2006 rate certified by the VRS Board. Future years are straight-line projection since future actuarial information not available.
 - ❖ 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 14.3 percent increase over projected general fund amounts for fiscal year 2004. Future years assume a 10 percent increase each year.
 - ❖ Continuation of fiscal year 2004 Salary Increases are calculated for 2004-2006 and straight lined for future years.
 - ❖ Fiscal year 2006 salary increases assume a three percent increase for state employees and faculty on November 25, 2005 and a three percent increase for teachers and state supported local employees on December 1, 2005. In addition, classified employees who are rated extraordinary will get an additional one percent base salary adjustment on November 25, 2005. Fiscal year 2007 and beyond costs show 24 pay periods.
 - ❖ Future salary increases assume a 2.5 percent increase for state employees and faculty on November 25, 2007 and November 25, 2009 and a 2.5 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.
- ❖ Savings Shortfall of VITA covers in fiscal year 2004 shortfall for small and medium agencies and reflects agreed to amounts that large agencies could absorb. For 2004-2006 assumes that GF base reductions for VITA savings are restored. Assumes no NGF transfers in revenue track. Future years are straight lined.
- ❖ VITA Start-up Costs funds continuation of fiscal year 2004 financing costs plus additional one-time costs for fiscal year 2005. No Requirements after fiscal year 2006. Future costs to be built into rates.

Contingent on Tax Reform:

- ❖ Pooled retirement contribution rates for teachers and state employees. Provides the incremental funding required to pool into a single rate of 6.56 percent for teachers and 11.56 percent for state employees. Future years are based on material provided by the VRS actuary on pooled and un-pooled rates.
- ❖ Four new positions in Veterans Services assumed a start date of July 10, 2004, thus 22 pay periods in fiscal year 2005. Fiscal year 2006 and beyond funds for 24 pay periods.
- ❖ Car Tax Relief assumes increased reimbursements to localities for car tax relief from the current level of 70 percent to 77.5 percent in calendar year 2005, and 85 percent in calendar year 2006.
- ❖ Tax reform implementation costs in the Department of Taxation assume systems development, personal services, and other nonpersonal services costs. The majority of the fiscal year 2005 costs are systems development. The ongoing costs of the tax reform plan starting with fiscal year 2007 are straight lined and consist primarily of personal services for 22 new positions (starting in 2005) and some nonpersonal services to support the positions.
- ❖ Two-way radio system for the Department of Forestry assumes equipment will be acquired over three years, fiscal year 2005, fiscal year 2006, and fiscal year 2007. The equipment acquired each year will be financed through the Master Equipment Lease Program.
- ❖ The Institute for Advanced Learning and Research (IALR) equipment debt service is based on an annual allocation of \$247,267 of equipment for the new agency.

- ❖ The “All Other Miscellaneous 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 Miscellaneous 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
Technology Planning and Implementation
Center for Innovative Technology
State Data Center
Economic Contingency Accounts
Commonwealth Technology Fund
Virginia Office for Protection and Advocacy

Six Year Spending Forecast

General Government

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Debt Service- Prior debt	\$271.0	\$301.1	\$319.8	\$398.9	\$422.0	\$438.0	\$432.1
Debt Service - 2004-2006 projects	\$0.0	\$2.2	\$18.5	\$0.0	\$0.0	\$0.0	\$0.0
Debt Service - Higher Education Equipment Trust	\$0.0	\$0.0	\$11.4	\$0.0	\$0.0	\$0.0	\$0.0
Revenue Stabilization Fund Payments	\$0.0	\$0.0	\$87.0	\$79.7	\$94.7	\$155.2	\$73.5
Car Tax Relief	\$892.3	\$947.9	\$996.9	\$1,046.8	\$1,098.3	\$1,153.2	\$1,210.9
School efficiency reviews - Dept of Accounts	\$0.0	\$2.5	\$3.3	\$3.3	\$3.3	\$3.3	\$3.3
All other miscellaneous spending	\$55.7	\$58.1	\$59.3	\$59.3	\$59.3	\$59.3	\$59.3
Line of Duty	\$0.0	\$2.5	\$3.1	\$3.7	\$4.3	\$4.9	\$5.6
Rent plan at seat of government	\$0.0	\$0.8	\$1.1	\$1.7	\$1.7	\$1.8	\$1.8
Workers compensation cost	\$0.0	\$0.0	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)
Continues funding in Taxation for equipment leased under the partnership contract with AMS	\$0.0	\$11.4	\$10.9	\$11.2	\$11.5	\$12.0	\$12.3
Semiconductor manufacturing performance grant programs	\$0.0	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$0.0
Governor's Development Opportunity Fund	\$7.5	\$13.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0
Funding for state liability insurance programs (property and automobile insurance)	\$0.0	\$0.2	\$0.4	\$1.5	\$1.5	\$1.5	\$1.5
Group life insurance for state employees	\$0.0	\$0.0	\$0.0	\$19.9	\$19.9	\$19.9	\$19.9
State employee retirement contributions	\$0.0	\$13.5	\$13.0	\$34.5	\$36.0	\$50.6	\$52.8
State employee health credit contributions	\$0.0	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)
VSDP rate increase for state employees	\$0.0	\$8.5	\$8.8	\$8.8	\$8.8	\$8.8	\$8.8
State Employee Health Insurance	\$56.1	\$89.7	\$91.1	\$100.2	\$110.2	\$121.3	\$133.4
Continuation of FY 2004 Salary Increases - state employees	\$22.1	\$40.3	\$40.3	\$40.3	\$40.3	\$40.3	\$40.3
Continuation of FY 2004 Salary Increases - state supported local employees	\$8.5	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6
Continuation of FY 2004 Salary Increases - Faculty	\$7.9	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6	\$14.6

Six Year Spending Forecast

General Government

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
FY 2006 Salary Increases - state employees	\$0.0	\$0.0	\$30.0	\$55.7	\$55.7	\$55.7	\$55.7
FY 2006 Salary Increases - state supported local employees	\$0.0	\$0.0	\$12.4	\$21.3	\$21.3	\$21.3	\$21.3
FY 2006 Salary Increases - Faculty	\$0.0	\$0.0	\$12.0	\$22.1	\$22.1	\$22.1	\$22.1
FY 2006 Salary Increase - Public School Teachers	\$0.0	\$0.0	\$50.9	\$91.0	\$94.9	\$99.0	\$103.2
Future Salary Increases	\$0.0	\$0.0	\$0.0	\$0.0	\$92.8	\$163.6	\$263.0
Rebase Registrar & Electoral Board salaries.	\$0.1	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Savings Shortfall of VITA	\$5.8	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0
VITA Start-up Costs	(\$6.2)	\$7.3	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0
All other miscellaneous spending	\$202.3	\$47.9	\$43.3	\$43.3	\$43.3	\$43.3	\$43.3
<i>Subtotal, spending and savings items</i>	<i>\$1,523.1</i>	<i>\$1,601.5</i>	<i>\$1,878.4</i>	<i>\$2,107.6</i>	<i>\$2,306.3</i>	<i>\$2,539.5</i>	<i>\$2,621.7</i>
Spending , contingent on tax reform							
Provide funding for a pooled VRS rate for teachers and state employees	\$0.0	\$3.6	\$2.3	(\$3.6)	(\$9.4)	\$0.6	\$0.7
Restores four positions in Veterans Services field offices	\$0.0	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Car Tax Relief - Tax Reform	\$0.0	\$25.8	\$130.8	\$248.9	\$378.9	\$490.5	\$520.4
Tax Reform Implementation Costs	\$0.0	\$3.4	\$1.8	\$1.2	\$1.2	\$1.2	\$1.2
Two-way radio system for Forestry	\$0.0	\$0.1	\$0.2	\$0.4	\$0.4	\$0.4	\$0.3
Institute for Advanced Learning & Research (IALR) equipment			\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>\$33.0</i>	<i>\$135.3</i>	<i>\$247.1</i>	<i>\$371.4</i>	<i>\$493.0</i>	<i>\$522.8</i>
Grand Total	\$1,523.1	\$1,634.5	\$2,013.7	\$2,354.7	\$2,677.7	\$3,032.4	\$3,144.5
Grand Total without Tax Reform	\$1,523.1	\$1,601.5	\$1,878.4	\$2,107.6	\$2,306.3	\$2,539.5	\$2,621.7

General Fund Spending Through Fiscal Year 2010 Capital Outlay

Assumptions About Spending

- ❖ Maintenance reserve funding is increased by \$25 million in the first year of the 2006-2006 and the 2008-2010 biennia. Second year amounts are level funded.
- ❖ Necessary repairs and improvements is a central account reserve for funding repairs and improvements. It is funded at \$7.5 million in the first year of each biennia. There is no additional funding in the second year.

Six Year Spending Forecast Capital Outlay

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
Maintenance reserves	\$16.4	\$27.7	\$27.7	\$52.7	\$52.7	\$77.7	\$77.7
Necessary repairs and improvements	\$0.0	\$7.5	\$0.0	\$7.5	\$0.0	\$7.5	\$0.0
<i>Subtotal, spending and savings items</i>	<i>\$16.4</i>	<i>\$35.2</i>	<i>\$27.7</i>	<i>\$60.2</i>	<i>\$52.7</i>	<i>\$85.2</i>	<i>\$77.7</i>
Spending, contingent on tax reform							
-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>	<i>\$0.0</i>
Grand Total	\$16.4	\$35.2	\$27.7	\$60.2	\$52.7	\$85.2	\$77.7
Grand Total without Tax Reform	\$16.4	\$35.2	\$27.7	\$60.2	\$52.7	\$85.2	\$77.7

SUMMARY

Six Year Spending Forecast

Statewide

GF Dollars in Millions

	Projected Spending			Projected Spending		Projected Spending	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Spending and Savings Items							
K-12	\$4,131.6	\$4,435.9	\$4,519.2	\$4,805.4	\$4,856.4	\$5,105.3	\$5,155.8
Higher Education	\$1,324.9	\$1,383.3	\$1,385.3	\$1,398.6	\$1,405.3	\$1,408.3	\$1,412.5
Health and Human Resources	\$2,917.4	\$3,226.7	\$3,414.0	\$3,620.0	\$3,824.7	\$4,039.9	\$4,272.1
Public Safety	\$2,127.2	\$2,232.9	\$2,255.0	\$2,311.3	\$2,331.9	\$2,352.4	\$2,375.1
Transportation	\$73.0	\$207.9	\$219.1	\$223.5	\$231.5	\$237.7	\$244.1
Natural Resources	\$75.6	\$87.4	\$79.6	\$79.6	\$79.5	\$79.5	\$79.5
Economic Development	\$111.7	\$117.1	\$114.7	\$134.4	\$134.4	\$114.4	\$114.4
General Government	\$1,523.1	\$1,601.5	\$1,878.4	\$2,107.6	\$2,306.3	\$2,539.5	\$2,621.7
Capital Outlay	\$16.4	\$35.2	\$27.7	\$60.2	\$52.7	\$85.2	\$77.7
<i>Subtotal, spending and savings items</i>	<i>\$12,300.9</i>	<i>\$13,327.9</i>	<i>\$13,892.9</i>	<i>\$14,740.6</i>	<i>\$15,222.6</i>	<i>\$15,962.1</i>	<i>\$16,352.9</i>
Spending , contingent on tax reform							
K-12	\$0.0	\$14.8	\$16.5	\$17.1	\$17.8	\$18.5	\$19.3
Higher Education	\$0.0	\$49.6	\$49.9	\$81.7	\$105.9	\$129.9	\$153.9
Health and Human Resources	\$0.0	(\$299.0)	(\$241.7)	(\$241.7)	(\$241.7)	(\$241.7)	(\$241.7)
Public Safety	\$0.0	\$14.3	\$27.3	\$28.5	\$29.7	\$31.0	\$32.4
Transportation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Natural Resources	\$0.0	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
Economic Development	\$0.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
General Government	\$0.0	\$33.0	\$135.3	\$247.1	\$371.4	\$493.0	\$522.8
Capital Outlay	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Subtotal, contingent on tax reform</i>	<i>\$0.0</i>	<i>(\$184.6)</i>	<i>(\$9.9)</i>	<i>\$135.5</i>	<i>\$285.8</i>	<i>\$433.4</i>	<i>\$489.4</i>
Grand Total with Tax Reform	\$12,300.9	\$13,143.3	\$13,883.0	\$14,876.0	\$15,508.5	\$16,395.5	\$16,842.3
Grand Total without Tax Reform	\$12,300.9	\$13,327.9	\$13,892.9	\$14,740.6	\$15,222.6	\$15,962.1	\$16,352.9