

OVERVIEW

To be a good fiscal steward of taxpayer dollars, state government must always determine what services are most essential and then deliver them as efficiently as possible. In fiscally challenging times, this exercise is even more crucial. These times also require the Commonwealth's leadership to plan wisely for the future, making strategic investments that will strengthen the economy and create savings in the long run.

The Governor's introduced budget for fiscal years 2009 and 2010 continues to build on Virginia's commitment to performance management and the continuous improvement of a smart, efficient government that serves its citizens.

In August of this year, the Governor directed agencies to recommend savings strategies to address the fiscal year 2008 revenue shortfall, calling for strategies that would produce savings in subsequent years, not simply one-time adjustments. Accordingly, the introduced budget carries nearly all of the 2008 reductions into 2009 and 2010, saving \$230 million in each year of the new biennium.

Savings strategies range from large to small, from renegotiation of key contracts, such as the Department of Medical Assistance Services' negotiations for Medicaid Managed Care Organization rates, producing \$120 million in total savings each year (\$60 million general fund), and the Department of Health's shift to producing their Epidemiology Bulletin



electronically, saving \$96,000 in each year. The introduced budget even recommends replacing paper copies of the document you are reading now with an electronic version, saving \$12,000 over the biennium (\$6,000 in each year).

The Governor's 2008-2010 budget also calls for increased accountability in the Commonwealth's spending. The Governor has established key measurable performance metrics for every executive branch agency, and he has aligned agency resources to achieve those targets in the development of this budget plan. Further accountability measures in the budget proposal include the collection and utilization of measurable outcome data on several of the state's most expensive funding commitments - in the Comprehensive Services Act, Community Service Boards, and K-12 education.

The budget also takes steps to streamline government, moving several small agencies into larger agencies—merging the Towing Board and the Motor Vehicle Dealer Board into the Department of Motor Vehicles, the Virginia War Memorial into the

Department of Veterans Services, Chippokes Plantation into the Department of Conservation and Recreation, and the Department of Charitable Gaming into the Department of Agriculture and Consumer Services.

The Governor has recommended strategies to improve government, including an additional investment in the Productivity Investment Fund, which identifies and supports pilot productivity improvements in state operations. The budget also includes language clarifying that the state can work with private businesses to invest in technology-driven process improvements through the Public-Private Education Facilities and Infrastructure Act (PPEA).

These steps help ensure that the Commonwealth continues to be a good steward of its citizens' tax dollars.

Fully funding K-12 education

The most important new investment in the Governor's proposed budget for the 2008-2010 biennium is for public education. Direct Aid to Public Education is our largest single expenditure, comprising 35 percent of the Commonwealth's general fund budget.

The Governor's budget fully funds the rebenchmarking of the Standards of Quality, which ensures that public schools are able to keep up with rising enrollment and expenses, investing an additional \$943.4 million in K-12 education in the biennium.

Funding to help recruit and retain the best teachers for Virginia's schools is

also included in the Governor's budget. It funds the state share of a 3.5 percent pay increase for instructional staff effective July 1, 2009, provides full funding for bonus payments for teachers who achieve National Board certification, and increases support for mentors for new "career-switcher" teachers.

Pre-K for at-risk four-year-olds

Focusing on investments that will save money in the long run, the Governor's budget seeks to expand the existing, effective, Virginia Preschool Initiative (VPI). Like the current VPI, the expansion plan serves at-risk students first. Also like the current VPI, local school divisions and local governments remain the default fiscal agents for providing pre-kindergarten programs in their communities.



However, the Governor makes several important changes to VPI to allow more students to access high-quality pre-K.

The introduced budget makes more four-year olds eligible to participate, by changing the eligibility criteria from free-lunch (130 percent of the federal poverty level) to free-and-reduced-lunch (185 percent of the federal poverty

level). This change means that nearly 30,000 four-year-olds will be eligible to participate, up from 19,000 who are eligible today.

Some of the currently eligible children are not able to access pre-K programs today because not all localities participate fully in the state's VPI program. The Governor's plan addresses the two most-frequently cited reasons for a locality's choosing not to use all the available state-funded places: money and space.



The budget offers more resources for localities to provide a high-quality pre-K program, by allowing localities to claim a state match for their expenses between the current per-pupil rate of \$5,700 and \$6,790, the JLARC estimate of the average amount spent in existing VPI programs. That range will also be tied to the Basic Aid calculation going forward, so that it can be naturally adjusted over time. The plan caps the composite index calculation, ensuring that the state pays at least half of the cost of providing pre-K, depending on local ability to pay. The plan also allows localities more flexibility in providing the local match, including charitable or business contributions, and it makes

every locality eligible for funding for at least one pre-K classroom.

To address the issues related to classroom space, the Governor's plan expands the use of private providers in delivering pre-K to at-risk four-year-olds. Localities will be required to partner with local private providers for at least 10 percent of any new slots created under the expanded program, and they will be encouraged to develop local early childhood councils to facilitate better public-private cooperation and the provision of wraparound services.

Interested private providers will be able to apply directly to the state for funds to serve at-risk children not served by a local public-private partnership. The staff of the VPI office will be augmented to provide the resources to do more outreach and offer technical advice to both public and private providers.

To ensure high-quality in these pre-kindergarten programs and improve quality throughout the public and private pre-K network, the Governor's plan calls for the creation of the Quality Rating and Improvement System (QRIS). The QRIS will measure and assign a quality rating from one to five stars to any program, public or private, that receives state pre-K funds. In addition, any provider who does not use state funds, but wishes to be QRIS-rated will be allowed to participate. The QRIS system is both a measurement tool and an improvement tool, offering technical support and advice to providers looking to improve their programs.

The 2008-2010 budget proposal also recommends funding to support education and training scholarships for early childhood teachers, assistant teachers, and program directors seeking to earn associate and bachelor degrees and specialized training in early childhood education.

The budget includes \$18.2 million in 2009 and \$38.1 million in 2010 for pre-kindergarten expansion.

Strengthening mental health services in the community and serving children

The tragedy at Virginia Tech last April 16th was a reminder of the importance of our mental health safety net. The Governor's budget provides for an increase in key emergency mental health services in the community, while also calling for increased accountability in the system.

Emergency mental health services, including around-the-clock emergency psychiatric consultation, emergency clinicians, and crisis stabilization receive \$14.6 million in the biennial budget. The budget also provides \$8.8 million over the biennium to increase the number of case managers at community service boards. Over 90 percent of boards currently have average caseloads that exceed the nationally recommended caseload of 25 patients.

To increase accountability, the Governor's budget funds four new positions to develop core standards and service improvement plans for services provided through local community service boards. The positions are also designated to provide better oversight and monitoring.

Since too many of our mentally ill citizens end up in jail, instead of receiving the treatment they need, the budget provides funding to support the continuation and expansion of a pilot program for jail diversion services funded in the previous budget. It further includes funds to expand training for law enforcement responding to crisis situations involving individuals with mental illness.

The 2008-2010 budget also improves services for at-risk youth and families. The budget includes funds to implement the policy changes expanding eligibility for services through the Comprehensive Services Act (CSA), and funds to increase the basic foster care rate and increase adoption subsidies. It also creates incentives to move more children from residential to community-based services, and provides \$5.8 million in the biennium to fund an additional 40 clinicians specializing in children's mental health at local community service boards statewide, to support those children who are not eligible for services through CSA.

Expanding access to health care

One in every seven Virginians is without health insurance, and more and more small businesses are finding it impossible to afford insurance for their employees. The Governor's budget includes a proposal to create a pilot health insurance program for low-income employees of small businesses. The Virginia Share program will fund a basic health insurance policy for low-income workers, the cost of which will be shared by the Commonwealth, the

employers, and the individuals. In 2009, \$2.6 million will provide insurance for up to 5,000 people, and in fiscal year 2010, \$5.0 million will serve 10,000 Virginians.

The Governor's budget also provides funds to make more pregnant women eligible for health care coverage under FAMIS Moms, by raising the eligibility level from 185% of the federal poverty line to 200% FPL.

In addition, the budget increases access to the most basic primary health care for Virginia's uninsured, by supporting free clinics, health centers, local health departments, and other local or regional organizations.



Growing the economy by investing in higher education and research

Ensuring that Virginia's economy remains strong in the future means making strategic investments in higher education research and economic development.

The research package includes \$29 million of general fund support in fiscal year 2009 to cover the third year of a three-year commitment to enhance research efforts at the Commonwealth's higher education institutions. To date,

state funding has resulted in an estimated return of \$150 million from federal and private research funding.

In addition, \$10.5 million of general fund support is provided over the biennium in the Commonwealth Technology Research Fund. The Commonwealth's higher education institutions can compete for this funding, with a focus on promoting economic development for Virginia through their research efforts.

Authorization of \$15 million each year in Higher Education Equipment Trust bonds is also provided for research equipment. Funding will be distributed on a competitive basis to those institutions demonstrating the most viable research projects.

For specific research projects, \$7.5 million of general fund support over the biennium is provided to Jefferson Labs to leverage a \$300 million investment by the federal government for an enhanced accelerator facility; \$1 million is provided in fiscal year 2010 to Hampton University to support a new proton beam cancer therapy facility; and over \$2 million is provided for the Virginia Coastal Energy Research Consortium in efforts to explore alternative forms of energy.

For the biennium the Governor's budget also includes \$44.3 million to move Virginia colleges and universities closer to base adequacy, and \$36.4 million in financial aid for students.

The Governor's budget also includes \$68.0 million over the biennium for incentives to recruit businesses to the Commonwealth that, in turn, invest in

Virginia and promote growing employment opportunities.

The economic development package includes the Governor's Development Opportunity Fund, which has been used to attract 28,249 jobs to Virginia over the past five years, and invests additional funds in VIP grants, used to attract corporate headquarters.