

INTRODUCTION

This document was prepared by the staff of the Senate Finance and House Appropriations Committees as a preliminary report on the Governor's Proposed Amendments to the budget for the 1998-2000 biennium. Subsequent staff reports will be made available during the 1999 General Assembly Session.

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Legislative Department

No changes are included in the budget, as introduced, for the Legislative Department. Changes in legislative agency budgets will be considered during the 1999 session, based on recommendations of the Joint Rules Committee.

Judicial Department

The Governor's recommended amendments result in a net increase of \$10.8 million GF for the biennium when compared to the original appropriation. The amendments include adjustments to the Criminal Fund and Involuntary Mental Commitment Fund, transfers from Central Accounts for costs of previously approved salary regrades, and several other technical and minor adjustments.

- **Supreme Court**

- ***Law Library Position.*** Adds \$17,431 GF the second year to convert one part-time wage position to full-time status to increase support for the library at the Supreme Court Building.
- ***Social Security Cap.*** Adds \$71,796 GF the second year for the employer share of increased Social Security taxes on salaries for judges. This change is a result of the increase in the maximum salary level which is subject to Social Security taxes.
- ***Criminal Fund.*** Adds \$501,321 GF the first year and \$4.1 million the second year to support a projected increase in caseload and costs in the Criminal Fund.
- ***Transfer for Public Defender Positions.*** Reduces the appropriation for the Criminal Fund by \$880,889 GF the second year to reflect the transfer of these funds to the Public Defender Commission. The budget, as introduced, recommends using these funds to add 16 public defenders.

- ***Involuntary Mental Commitment Fund.*** Reduces the appropriation for this fund by \$600,000 GF the second year, based on a revised caseload forecast.
- ***Rent Increase.*** Adds \$25,752 GF each year for rental payments for the use of additional basement space in the Supreme Court Building. These payments will be made to the Department of General Services for storage space vacated by the Virginia State Library and Archives. A corresponding reduction is proposed in the budget for the State Library.
- **District Courts**
 - ***District Courts Technical Adjustments.*** The budget, as introduced, includes three technical amendments to the base budget for personal services for the District Courts:
 - Central Account Transfer. Transfers from the Central Accounts \$1.5 million GF the first year and \$4.0 million GF the second year to support the increased salaries for clerks approved by the 1998 General Assembly.
 - Unbudgeted Costs for Salary Adjustments. Adds \$171,760 GF the second year to reflect the increased cost of November 1998 performance adjustments, resulting from the clerks' salary increase approved by the 1998 General Assembly.
 - Annualized Personal Services Costs. Adds \$42,875 GF the second year to annualize the cost of personal services for new District Court employees. The 1998 General Assembly increased the number of clerks. However, these new positions were funded for only 22 pay periods in the second year. This amendment adds funding for the 23rd and 24th pay periods.
 - ***Mediation Services.*** Adds \$100,000 GF the second year for expanded use of private contracts for mediation in the Juvenile and Domestic Relations District Courts.
- **Magistrates**
 - ***Magistrate Positions.*** Adds \$62,000 GF the second year for two full-time magistrates, and adds language that directs they be assigned to Hanover and York Counties.

- ***Magistrate Technical Adjustments.*** The budget, as introduced, includes two technical amendments to the base budget for personal services for Magistrates:
 - Central Account Transfer. Transfers from the Central Accounts \$718,057 million GF the second year to support the increased salaries for Magistrates approved by the 1998 General Assembly.
 - Unbudgeted Costs for Salary Adjustments. Adds \$33,395 GF the second year to reflect the actual cost of salary regrades and November 1988 performance increases.

- **Virginia State Bar**
 - ***Law Office Management Assistance.*** Adds \$94,981 NGF the second year and 2.0 FTE positions to provide technical assistance to attorneys in managing their law offices effectively.
 - ***Restriction on the Use of Funds.*** A language amendment is included which specifies that funds appropriated for use by the Virginia State Bar may not be used on behalf of non-Virginia residents to sue Virginia residents or Virginia businesses.

- **State Board of Bar Examiners**
 - ***Certification of Out-of-State Attorneys.*** A language amendment is included which recommends a sum sufficient appropriation (not to exceed \$50,000) for character and background checks on out-of-state attorneys applying to practice law in Virginia. The sum sufficient would be funded through applicant fees deposited into the general fund. This amendment results from passage of Senate Bill 488 by the 1998 General Assembly, which authorized the Supreme Court to transfer to the State Board of Bar Examiners the responsibility for issuing certificates for out-of-state lawyers to practice law in Virginia, without taking an examination.

- **Public Defender Commission**
 - ***Public Defender Positions.*** Adds \$880,889 GF the second year and 16.0 FTE positions for new public defenders to represent low-income persons charged with criminal offenses. These funds are transferred from the Criminal Fund.
 - ***Administrative Support Position.*** Adds \$34,976 GF and 1.0 FTE position for administrative and accounting support in the central office of the Public Defender Commission.

Executive Offices

The Governor's recommended amendments result in a net increase of \$1.8 million GF for the biennium, when compared to the original appropriation. All of the proposed amendments are included in the Office of the Attorney General. The amendments provide funds to cover operating budget shortfalls, compensation and workload adjustments, replacement of a federal grant, and increased costs and recoveries of special funds in the field of consumer protection.

- **Office of the Attorney General**

- ***Operational Budget Shortfall.*** Adds \$269,347 GF and \$195,474 NGF the first year, and \$723,258 GF and \$318,121 NGF the second year, to address an operating budget shortfall, which has been offset for the past several years with special fund balances and carry-forward balances from previous years.
- ***Compensation Plan Adjustment.*** Adds \$168,446 GF and \$42,112 NGF the second year for competitive salary adjustments for entry-level professional employees.
- ***Workload Adjustment.*** Adds \$207,033 GF and 4.0 FTE positions, and \$51,758 NGF and 1.0 FTE position, all in the second year, to address increased workload due to increased corrections and capital punishment litigation, fair housing investigations, and environmental issues.
- ***Replace Federal Grant Funds.*** Adds \$425,364 GF the second year to replace a federal grant which expires on June 30, 1999. The federal grant has supported the Capital Litigation Unit, which manages the litigation of appeals related to capital punishment.
- ***Consumer Revolving Trust Account.*** Adds \$250,000 NGF to authorize the use of increased special funds recovered in the course of regulatory and consumer advocacy litigation. A proposed language amendment clarifies legislative intent that any amounts contained in the fund, which exceed \$750,000 at the end of the fiscal year, shall be transferred to the general fund. The current ceiling of \$500,000 was established in 1995, and is not sufficient to meet projected expenses.

Administration

The Governor's recommended amendments result in a net increase of \$8.8 million GF for the biennium when compared to the original appropriation. However, this number includes the effect of the Governor's initiatives to create a new Technology Secretariat, to which several of the Administration agencies are transferred.

When those transfers are taken into account, the actual increase in funds for the remaining Administration agencies totals \$27.5 million GF. The major funding increase is in the Compensation Board, where \$20.2 million is provided for a 9.3% salary increase for deputy Sheriff's, beginning in the second year.

Other funding adjustments for the Compensation Board include a net of \$2.9 million for changes in local jail per diems, contract beds, and two new jails coming on line, plus \$2.2 million to offset the cost of proposed legislation involving bail reform and the illegal possession of a firearm. For the Board of Elections, funds are included to begin replacement of the Virginia Voter Registration System. Additional positions are proposed for the Council on Human Rights, the Department of Personnel and Training, and the Department of Employee Relations Counselors.

Three agencies, the Department of Information Technology, the Council on Information Management, and the Year 2000 Project Office, are transferred to the proposed Secretariat of Technology.

- **Council on Human Rights**
 - ***Compliance Investigation Position.*** Adds \$4,213 GF the first year, \$50,932 GF the second year, and one position to investigate complaints of work place discrimination, based on caseload growth.
- **Department of Personnel and Training**
 - ***Implement New Personnel and Payroll System.*** Includes \$10,044 GF the first year, \$312,251 GF the second year, and five positions to support the new Integrated Human Resource Information System (IHRIS). The new system will combine the state's current accounting and personnel information systems, into a single integrated network which will be used by most state agencies and institutions.

Σ **Training and Management Development.** Proposes increases in the second year totaling \$78,145 GF, \$48,778 NGF and two positions to expand employee training and management development services that were curtailed through the Workforce Transition Act.

- **Chief Deputy and Confidential Assistant.** Adds \$123,236 GF the first year, \$151,674 GF the second year to support a new chief deputy position and a confidential assistant position. The agency will absorb the new positions within its existing authorized employment level.
- **Employee Health Benefits Program.** Includes \$11,536 NGF the first year and \$66,983 NGF the second year, and one position to improve financial management of the state's health benefits programs.

- **Department of Employee Relations Counselors**

- **Training Positions.** Provides \$43,097 GF and \$34,097 NGF and one position to support additional training to state agencies and institutions in alternative dispute resolution techniques and effective employee relations practices.
- **Hearing Officer System.** Includes \$61,752 GF and \$90,000 NGF the second year for a pilot program to assess the quality and consistency of decisions by a privately contracted panel of hearing officers in state employee grievance procedures.
- **Chief Deputy and Confidential Assistant.** Adds \$46,943 GF the first year, and \$93,563 GF the second year to support a new chief deputy position and a confidential assistant position. The agency will absorb the new positions within its existing authorized employment level.

- **Department of General Services**

- **Experience-based Workers' Compensation Insurance.** Includes \$1.2 million GF for workers' compensation premiums, to begin implementation of a system of experience-based premiums on an agency by agency basis. The premiums will be set based on the claims history of each respective agency, with more claims experienced translating to a higher premium. The program will be phased in through the 2000-2002 biennium.
- **General Liability Insurance.** Decreases appropriations by \$227,477 GF the first year and \$669,901 GF the second year for premium

payments to the state's general liability self-insurance program, based on an updated actuarial forecast.

- **Virginia War Memorial.** Adds \$187,500 GF the second year to renovate the auditorium at the Virginia War Memorial.

- **State Board of Elections**

- **Local Registrar's Computer Equipment.** Includes \$500,000 GF the second year to replace obsolete computer equipment statewide in the 135 local voter registration offices to ensure Year 2000 compliance, and support future upgrades to the Virginia Voter Registration System (VVRs). A report commissioned by the Board of Elections but released after the Governor's budget recommendations were finalized estimates a need for approximately \$0.9 million for this purpose next year, and a total of \$7.8 million to fully replace VVRs.
- **Cost of 1998 Constitutional Amendment Proposals.** Adds \$155,130 GF the first year to defray printing and related costs associated with explanation of the proposed Constitutional amendments that appeared on the 1998 ballot.

- **Compensation Board**

- **Sheriffs' Deputies Salary Increases.** Includes \$20.1 million GF the second year for a 9.3% salary increase for sheriffs' deputies. The funding will provide an increase of one grade (four steps), effective July 1, 1999.
- **Bail Reform and Virginia Project Exile.** Adds \$2.2 million GF the second year to implement the Governor's proposed bail reform and Virginia Exile legislation. The legislation will establish a mandatory minimum sentence for certain firearm offenses and deny bail for individuals arrested for these and other offenses.
- **Per Diem Payments for Local Jails.** Increases by \$5.4 million GF the first year and \$2.2 million GF the second year funds for payments to localities to reflect a revised forecast of state inmates housed in local jails.
- **Reduce Jail Contract Bed Program.** Reduces by \$932,886 GF the first year and \$2.0 million GF the second year funds for the jail contract bed program where the state Department of Corrections contracts with the local jails for bedspace for state inmates. The majority of the beds are for inmates participating in a work release program. Funding is reduced assuming that the number

of beds actually used will decrease from 300 to 100 beds at the beginning of 2000.

- ***Positions for New Jails.*** Provides funding for jail facilities scheduled to open during the 1998-2000 biennium, based on the latest revisions to construction schedules. For 1999, funding is decreased by \$3.2 million GF due to delayed opening dates. For 2000, funding is increased by \$1.4 million GF to cover operating costs for the Allegheny / Covington and Rappahannock Regional Jails. The additional funds will support 133 correctional officers, 14 medical staff, one cook, and four secretaries.
 - ***Part-time Commonwealth's Attorneys to Full-time.*** Adds \$261,894 GF the second year to convert three Commonwealth's Attorneys' offices from part-time to full-time status. The funding will go to offices in Wythe County, Lancaster County, and Buena Vista City.
 - ***Population-based Salary Increases.*** Adds \$61,297 GF the first year, and \$63,458 GF the second year to provide a salary increase to constitutional officers in Amelia and Powhatan Counties due to population growth.
- **Department of Veterans' Affairs**
 - ***Add Position for Database Management.*** Provides \$49,728 GF the second year and one position to maintain the VETREX computer database system. The VETREX system allows the department to track veterans claims information and maintain a computer connection with the U.S. Veterans Administration.
- **Charitable Gaming Commission**
 - ***Computer System.*** Adds \$275,000 NGF the second year to develop an integrated computer software system to handle all the agency's licensing, auditing, enforcement, and administrative functions.
 - ***Funds for Special Purposes.*** Establishes two funds that the Commission may use to earmark a portion of its unexpended balances or revenues for special purposes. The Technology Fund would be used to create and maintain an integrated computer system and for other technology purchases and upgrades. The Investigation Fund would be used to pay for investigations and enforcement actions, to purchase equipment for enforcement purposes, and to receive any assets seized and forfeited due to enforcement actions.

Commerce and Trade

The Governor's recommended amendments result in a net increase of \$16.7 million GF for the biennium, when compared to the original appropriation. The Governor proposes the creation of the Virginia Tourism Authority and the transfer of \$16.6 million from the Virginia Economic Development Partnership to fund the Authority. In addition, the Governor proposes a second year increase in the Cooperative Tourism Fund of \$2.0 million and \$1.0 million for a regional tourism center in Williamsburg.

Other recommended increases include, \$3.9 million in second year funding for the Regional Competitiveness Fund; \$3.0 million in the second year for the industrial site development fund; \$1.0 million to create a loan program for disadvantaged minority businesses; and, \$2.0 million for additional first year commitments for worker training programs.

In addition to these spending proposals, the Governor has included in the Central Account's Economic Contingency Fund, \$9.8 million in second year funding for the Shipbuilding Investment Grant Program. The Governor also proposes an increase of \$6.0 million in the Opportunity Fund to assist two major economic development projects. Finally, the Governor proposes \$500,000 for the creation of a Motion Picture Opportunity Fund.

- **Department of Housing and Community Development**
 - ***State Fire Marshal's Office.*** Recommends \$156,000 GF the second year to provide full funding for the eight positions authorized by the 1997 General Assembly to implement a statewide building inspection program for state college dormitories and elementary and secondary schools.
 - ***Regional Competitiveness Act Program.*** Proposes an additional \$3.9 million GF the second year to retain funding at the first year level.
 - ***Industrial Site Development Fund.*** Recommends \$3.0 million GF in the second year to continue assisting communities with the cost of developing industrial properties in distressed areas of the Commonwealth.
 - ***Virginia Enterprise Initiative.*** Includes an additional \$500,000 GF the second year to help serve those regions of the Commonwealth that do not currently have access to an entrepreneurial development program.

- **Virginia Economic Development Partnership**
 - ***Virginia Tourism Authority.*** Recommends the transfer of \$16.6 million GF the second year from the Partnership to establish an independent Virginia Tourism Authority.
 - ***Shell Building Program.*** Proposes an increase of \$500,000 GF the second year to expand the program from three buildings per year to six buildings per year. The funds would be used for debt service and fees associated with building engineering and design.
- **Virginia Tourism Authority**
 - ***Establish the Virginia Tourism Authority.*** Recommends the transfer of \$16.6 million GF the second year for tourism promotion activities from the Virginia Economic Development Partnership for the creation of the Authority.
 - ***Cooperative Tourism Fund.*** Proposes an increase of \$2.0 million GF the second year to match private funds to promote, market, and advertise the Commonwealth's tourist attractions and locations.
 - ***Regional Tourism Center.*** Recommends \$1.0 million GF the second year to build a tourism center in Williamsburg, Virginia, which will showcase regional and statewide attractions.
 - ***Los Angeles Film Representative.*** Includes \$119,000 GF the second year for a representative to be based in Los Angeles, California, to work on behalf of the Virginia Film Office. This position will actively market the Commonwealth as a location for film productions to studios, production companies, and production personnel.
- **Department of Business Assistance**
 - ***Workforce Services Projects.*** Recommends an additional \$2.0 million GF the first year for commitments made to new and expanding Virginia companies for worker training programs.
 - ***Virginia Business Information Center.*** Recommends \$545,731 GF and seven positions the second year to establish a Virginia Business Information Center, which would be a centralized clearinghouse for information for business, industry, and new entrepreneurs. The center would provide basic business

information, supply standard forms, and access services from both within and outside the agency in order to assist businesses.

- **Department of Minority Business Enterprise**
 - ***Disadvantaged Small Business Loan Fund.*** Proposes \$1.0 million GF the second year to establish the Capital Access Fund for disadvantaged businesses. This Fund will provide risk protection to private lenders, through a loan loss reserve fund. In addition, the Governor recommends \$116,995 and 3 positions to market existing services to disadvantaged small businesses.
- **Innovative Technology Authority**
 - ***Transfer of CIT.*** Proposes to transfer the appropriation for the Center for Innovative Technology from the Secretary of Commerce and Trade to the Secretary of Technology. Legislation will also be introduced to reflect the transfer.

Public Education

The Governor's recommended amendments for Direct Aid to Public Education result in a net increase of \$217.3 million GF for the biennium when compared to the original appropriation. An additional \$2.7 million GF is recommended for the Department of Education to create eight regional Best Practice Centers, to contract for an evaluation of the SOL Teacher Training program, and to study non-traditional teaching opportunities in public schools. Authorization is included to increase employment in the Department by 19 general fund positions and 13 nongeneral fund positions by the end of the biennium. An additional 6 nongeneral fund positions are recommended to support the School-to-Work program in the second year in Direct Aid.

Increases totaling \$259.6 million GF have been recommended for Direct Aid in 4 areas: \$245.8 million to represent a local share of lottery profits to school divisions; \$8.0 million to initiate a new teacher grant program for 400 new teachers in the second year, based on criteria to be developed by the Board of Education relative to school divisions' performance on the Standards of Learning tests; \$5.3 million GF in the second year to restore the early reading intervention program for first-grade students with reading deficiencies; and \$490,000 to provide for the education of children in a newly opened juvenile detention facility in Culpeper.

These increases are partially offset by reductions of \$42.3 million GF for several technical changes -- a decrease in projected enrollment growth; a revision of the estimate of the sales tax revenue returned for public education and the corresponding Basic Aid and Enrollment Loss off-sets; adjustments to the K-3 Class Size and remedial summer school programs to reflect reduced enrollment growth; and the distribution of a savings adopted by the 1998 General Assembly that was initially placed in a Central Account.

Finally, additional nongeneral fund support is recommended in Direct Aid to increase the School-to-Work program by \$11.9 NGF and 6 FTE the second year.

- **Department of Education**
 - ***Best Practice Centers.*** Includes \$2.5 million GF and \$0.7 million NGF to establish eight regional "Best Practice Centers." Each center would have four staff positions -- a director, a technology position, a curriculum/assessment position, and a health/safety position -- for a total of 32 positions. Nonpersonal services funding is included for travel, telecommunications, start-up

costs, office contracts, and other miscellaneous and administrative expenses. The Centers would be located in each of the eight superintendents' regions. Three of the Centers were administratively established in the first year, in part, by using federal funds and general funds which were appropriated by the 1998 General Assembly for a 5-person evaluation unit in the Department. Therefore, a total of 27 additional positions are recommended in the introduced budget.

- ***Licensure Specialist.*** Recommends 1 FTE and \$35,887 NGF in the second year for a licensure specialist in the teacher education division to address a backlog of licensure requests.
- ***Evaluation of the SOL Teacher Training Program.*** Includes \$100,000 GF the second year to assist the Department in evaluating the SOL Teacher Training program passed by the 1998 General Assembly.
- ***Funding for a Study of the Hiring of Nontraditional Teachers.*** Recommends \$50,000 GF the second year to allow the Department, in conjunction with the Secretary of Education, to develop a plan to provide flexibility in hiring classroom teachers with nontraditional educational backgrounds.

- **Direct Aid to Public Education**

- ***Distribution of Lottery Proceeds.*** Applies \$314.4 million the first year and \$310.3 million the second year of Lottery proceeds as a specific general fund appropriation for public education, similar to the way the 1 cent of sales tax collected for public education is handled. Both the sales tax and Lottery proceeds are applied against the total SOQ cost, before dividing the remaining cost between the state and localities on the basis of local composite index of ability-to-pay.

The sales tax dollars are allocated to localities on the basis of school age population, while the Lottery dollars are allocated on the basis of a formula which uses average daily membership, the composite index, and variable per pupil amounts.

By running the Lottery proceeds through a distribution mechanism that is a shared state/local funding formula, localities will receive an additional \$123.4 million in FY 1999 and \$122.3 million in FY 2000. They will be allowed to count this additional funding toward their required local effort for public

education, thereby resulting in an equivalent local savings each year.

- ***Additional Teachers Grants.*** Recommends \$8.0 million GF the second year to provide grants to school divisions to hire an additional 400 teachers at a cost of \$20,000 per teacher. No local match is required, and the distribution of those teachers will be determined by the Board of Education through a competitive grant program, based on the performance of school divisions on the Standards of Learning tests.
- ***Reading Instruction and Remediation.*** Includes \$5.3 million GF in the second year to restore statewide funding for special reading instruction and remediation for first-grade students with reading deficiencies.

This intervention program was initiated in 1997-98, to provide services to primary grade students who were deficient on kindergarten or first grade diagnostic tests. In 1997-98, 117 school divisions participated in this voluntary program. In 1998-99, 125 divisions participated. Funding for 1999-2000 was continued for only the smallest school divisions.

- ***Hospitals, Clinics, Detention Homes.*** Includes \$245,000 GF in each year for the education of students in a new 50-bed detention facility in Culpeper that is scheduled to open in March or April, 1999. The state is required by law to provide appropriate education to all children residing in state institutions and local detention homes. Local school divisions provide this service through a contract with the state.
- ***Technical Adjustments.*** Includes a series of technical adjustments which result in a net decrease of \$21.5 million GF the first year and \$20.8 million GF the second year in Standards of Quality Payments:

<u>Technical Changes</u>	<u>FY 1998-99*</u>	<u>FY 1999-00*</u>
Reduce Projected Enrollment Increases	(\$12.0)	(\$13.5)
Sales Tax	(6.7)	(4.5)
Central Account Distribution	(2.8)	(2.8)
Total	(\$21.5)	(\$20.8)
* Dollars in millions		

- Average Daily Membership (ADM) Estimates. Includes a reduction of \$12.0 million GF the first year and \$13.5 million GF the second year, due to lower than expected enrollment growth based on the September 30, 1998, Fall Membership child count.

It is estimated that 1,889 fewer students are enrolled in Virginia's public schools in the 1998-99 school year than had been projected, and that 2,333 fewer students will be enrolled in 1999-00 than originally projected.

This adjustment reduces a number of accounts in Direct Aid including: Retirement; Social Security; Group Life; Basic Aid; Salary Supplement; Textbooks; Gifted Education; Vocational Education; Special Education; the Standards of Learning Teacher Training program; Enrollment Loss; Remedial Education; At-Risk funding; Maintenance Supplement; Standards of Learning Teaching Materials; Standards of Learning Remediation; Health Incentive Grants; K-3 Reduced Class Size program; and Remedial Summer School. There is also a reduction in enrollment funding for the Appomattox Governor's School because of a delay in the school's opening.

- Revised Sales Tax Estimates. Provides a decrease of \$6.7 million GF the first year and \$4.5 million GF the second year to reflect a revised estimate of sales tax collections for the biennium. When sales tax estimates are revised downward, the state and localities make up the lost funds, based on the local composite index. The Basic Aid and

Enrollment Loss offset for the state share is included in technical adjustments.

-- Distribution of Central Account Savings. Includes a decrease of \$2.8 million GF each year to distribute from a central holding account SOQ-related reductions that were adopted by the 1998 General Assembly based on a revised estimate of inflation.

- ***Reduced Literary Fund Debt Service Costs.*** Includes a reduction of \$281,585 NGF to reflect lower debt service costs than anticipated for the School Equipment Financing Notes Educational Technology Issue V (the 1998 Notes).

- **Virginia School for the Deaf and the Blind (Staunton & Hampton)**

The Governor's proposed amendments include \$196,978 GF (\$98,489 for each School) in the second year to enable each School to purchase two new school buses.

Listings, by locality, of proposed funding for Direct Aid to Public Education are provided in Appendix A and Appendix B.

Higher Education

The Governor's recommended amendments result in a net increase of \$114.3 million from the general fund for the biennium when compared to the original appropriation.

General fund increases are recommended in four cross-cutting areas: \$74.7 million for a 20 percent reduction in resident, undergraduate tuition and instructional fees; \$6.5 million to offset a shortfall in tuition and fee revenues; \$5.6 million for Year 2000 compliance; and a net increase of \$0.5 million for enrollment changes at three institutions.

Additional funding of \$1.6 million is recommended for Tuition Assistance Grants to reflect additional Virginia students anticipated at the Commonwealth's private colleges and universities.

Institution-specific initiatives include \$10.5 million GF at George Mason University for instructional technology and to improve academic programs; \$2.0 million GF at Old Dominion University to increase the number of students in technology programs; \$1.8 million at Norfolk State University for upgrades to the telecommunications network and for academic program improvements; and \$1.4 million at Virginia State University for academic program improvements and cooperative extension programs. Funding of \$2.5 million is also proposed to support the new library at the Medical College of Hampton Roads.

Tuition Reduction

The proposed 20 percent tuition reduction would apply to the 163,600 in-state undergraduates as projected by the State Council of Higher Education in November, 1997, for FY 2000. The reductions in annual tuition and all instructional fees range from \$387 at Norfolk State University to \$786 at the University of Virginia.

Language in the General Provisions requires the institutions to make the tuition and fee reductions. The table on the next page details the proposal for each institution.

Proposed Tuition and Instructional Fee Reduction

	1999 Tuition & Fees	Proposed Cut in FY 2000	FY 2000 Tuition & Fees	FY 2000 GF Offset * (\$ in mil)
<u>Doctoral Institutions</u>				
Virginia Tech	\$3,536	\$707	\$2,829	\$ 11.3
Virginia Commonwealth	3,166	633	2,533	7.9
University of Virginia	3,930	786	3,144	6.7
George Mason University	3,018	604	2,414	6.7
Old Dominion University	2,750	550	2,200	5.0
William And Mary	2,940	588	2,352	2.3
<u>Comprehensive Institutions</u>				
James Madison University	\$1,982	\$396	\$1,586	\$ 3.9
Radford University	2,036	407	1,629	2.5
Christopher Newport Univ.	2,440	488	1,952	1.9
Longwood College	2,726	545	2,181	1.6
Norfolk State University	1,935	387	1,548	1.7
Mary Washington College	2,682	536	2,146	1.5
Virginia State University	1,983	397	1,586	0.8
Virginia Military Institute	3,705	741	2,964	0.7
Clinch Valley College	2,413	483	1,930	0.7
<u>Two-Year Institutions</u>				
VCCS	\$1,423	\$285	\$1,138	\$ 19.1
Richard Bland College	1,940	388	1,552	0.4
Total				\$ 74.7

*** There is a nongeneral fund decrease that corresponds to the GF increases shown above.**

GF Offset for Tuition and Fee Shortfalls

The budget proposes \$6.5 million GF to offset uncollectible nongeneral fund revenues. The 1998 Appropriation Act included nongeneral fund revenues to partially support initiatives such as faculty salaries, Year 2000

compliance, and operating technology. The revenues were to come from increases in out-of-state and graduate tuition, and from additional students.

Review of the tuition revenue assumptions indicated that ten institutions would be unable to collect all of the estimated revenues, in part due to the large number of tuition waivers granted to certain students. The Code of Virginia permits waivers in limited circumstances for non-resident graduate students. The General Provisions contain a proposal that requires the institutions to absorb, effective July 1, 2001, the cost of new tuition waivers not authorized by the Code.

GF Increases for Tuition Shortfalls *	
University of Virginia	\$2,115,540
Virginia Tech	1,463,949
Virginia Commonwealth	1,119,000
VCCS	534,379
George Mason	454,959
William and Mary	363,953
James Madison	211,187
Mary Washington	105,319
Clinch Valley	77,204
Radford	<u>60,200</u>
Total	\$6,505,690

* There is a nongeneral fund decrease that corresponds to the GF increases above.

Year 2000 Compliance

Funding of \$5.6 million GF is proposed to address Year 2000 compliance issues, based on recommendations of the Office of the Year 2000 Project. At Norfolk State University, the funding would provide a new Year 2000 compliant student information system. For the remaining institutions, the proposed funding would be used for upgrades to existing computer and voice mail systems.

Year 2000 Compliance	
Norfolk State	\$2,531,562
George Mason	800,000
Virginia Military Institute	710,628
Mary Washington	460,000
Virginia State	378,748
William and Mary	371,250
James Madison	<u>305,000</u>
Total	\$5,557,188

Enrollment Changes

The budget proposes net additional funding of \$542,836 for enrollment growth. The 1998 Appropriation Act provided funding for enrollment growth to those institutions where enrollment had grown more than 6 percent during the 1996-99 period, or 8 percent during the 1996-2000 period. The State Council of Higher Education reviewed enrollment trends at the institutions in the fall of 1998.

Using the same assumptions on growth, additional funding is recommended for JMU and VMI. A reduction in enrollment funding is proposed for CNU based on a downward revision of FY 2000 enrollments.

Enrollment Adjustments in FY 2000	
James Madison	\$1,066,586
Virginia Military Institute	94,608
Christopher Newport	<u>(618,358)</u>
Total	\$542,836

Workforce Training Proposals

- Two provisions in Central Appropriations impact workforce training:

- The 1998 General Assembly adopted legislation and budget amendments that centralize in the State Workforce Training Council all workforce training conducted through the community colleges. The Governor recommends \$150,000 GF in the second year for a study by a Virginia institution of higher education to determine what the needs are for Virginia's workforce, assess the current programs, and detail what other programs are needed.
- The Governor recommends \$500,000 GF in the second year to establish a statewide workforce training loan program. The funds would be used as a loan loss reserve fund, contingent upon the enactment of legislation in the 1999 Session, for loans to individuals taking workforce training courses. The program is based on one recently established in Northern Virginia.

Following are additional details for each higher education agency or institution.

- **State Council of Higher Education**

- ***Tuition Assistance Grants.*** Recommends \$1.6 million GF to provide \$2,600 TAG grants for an anticipated increase of about 620 Virginia students at the Commonwealth's independent institutions in FY 2000.
- ***Virginia Women's Institute for Leadership.*** Recommends \$52,248 GF in the first year and \$82,104 GF in the second year to support seven additional in-state students in FY 99 and eleven in FY 00. General funds support the educational and financial aid costs of in-state cadets.
- ***Distance Education.*** Recommends \$1.5 million GF in the second year for two pilot projects in distance education: (1) a cooperative effort between two or more Virginia public institutions to share professors and courses; and (2) a consortia of institutions that offer academic programs utilizing electronic distance learning technologies. The purpose of the pilot program is to make degree programs more accessible to the citizens of Virginia. Participating institutions have not been identified.

- **Virginia Community College System**
 - ***Funding for New Fauquier Campus.*** Recommends \$837,800 GF and \$623,430 NGF and 21.3 positions for the new Fauquier Campus of Lord Fairfax Community College, expected to open in the spring of 1999.
 - ***Funding for New Midlothian Campus.*** Recommends \$906,680 GF and \$623,430 NGF and 44.1 positions for the new Midlothian Campus of John Tyler Community College, expected to open in the spring of 2000.
 - ***Philpott Manufacturing Extension Partnership.*** Recommends \$100,000 GF in the second year for additional support for the partnership.
 - ***Policy Proposal.*** Virginia's community colleges would be exempt from the limitations on auxiliary enterprise fee increases under language proposed in the General Provisions. Instead, such fee increases would be approved or rejected on a case by case basis by the State Board for Community Colleges and the Secretary of Education.

- **University of Virginia**
 - ***Support for Health Care Plan.*** Recommends \$1.1 million GF in the second year to support costs associated with the administration of the health insurance surcharge in FY 1999, and for the increased cost of the employer's share of health care premiums provided to all other state agencies for employees participating in HMO programs in FY 2000. UVA operates a stand-alone health insurance program called QualChoice, which is not automatically included in rate adjustments.
 - ***Support for Center.*** Recommends \$70,000 GF in the first year and \$280,000 GF in the second year to support the Virginia Center for Governmental Studies. The Center was established in 1998 to chronicle the work of current and former elected officials in Virginia.

- **University of Virginia-Hospital**
 - ***Technical Adjustment.*** Recommends \$41.2 million NGF in the first year and \$34.7 million NGF in the second year and 207 positions to align appropriations with actual operations.

- **Virginia Tech**
 - ***Additional Positions.*** Recommends 49.5 positions for three areas: 20 positions for the Extended Campus Graduate Programs, to be used for off-campus workforce training programs; 11.25 positions for the Virginia-Maryland Regional College of Veterinary Medicine to accommodate the phase-in of 40 additional students in the program; and 18.25 graduate teaching assistant positions to assist faculty and students with instructional technology applications. The positions will be funded from existing sources.
 - ***Auxiliary Enterprise Adjustment.*** Recommends \$9.5 million NGF and 21.1 positions in the second year for auxiliary enterprise programs to reflect current services levels due to growth in telecommunications, electric services, athletics, and dining services.

- **Virginia Commonwealth University**
 - ***Support for Council.*** Recommends \$150,000 GF in the second year for the Council on Economic Education. The funds will be used for teacher training on how to teach economics creatively in the school curriculum.
 - ***New Institute.*** Recommends \$150,000 GF in the second year to create the Education Policy Institute by combining the School of Education and the Center for Public Policy. The institute is intended to assist in education policy analysis and development.
 - ***Family Practice Support.*** Recommends \$89,475 GF in the first year and \$186,882 GF in the second year to adjust salaries for the Family Medicine Program, consistent with increases provided for faculty and classified staff.
 - ***Sponsored Programs.*** Recommends \$23.0 million NGF in the first year and \$32.0 million NGF in the second year to reflect increases in sponsored research.

Σ **Old Dominion University**

- ***Workforce Development.*** Recommends \$2.0 million in additional support for the ODU Workforce Development initiative. The funds would be used to create ten new positions in engineering and computer science, and provide scholarships to students who work for at least three years at a Virginia

engineering or computer sciences firm after graduation, and loans for those students who choose to work outside of Virginia. The initiative would allow ODU to graduate an additional 120 engineering or computer science students each year.

- **George Mason University**

- ***Technology in Instruction.*** Recommends \$6.5 million GF and 26 positions in the second year to expand the Technology Across the Curriculum (TAC) program at GMU. The funds would be used to hire, train and support additional faculty in order to add four more technology-related minors, and to improve central technology support infrastructure. The expansion of the program would enable more students to enroll in the TAC courses.
- ***Academic Quality.*** Recommends \$2.1 million GF and 20 positions in the second year to reduce class sizes and dependence on part-time teachers, and to attract and retain high quality students through merit-based scholarships.
- ***Law School Programs.*** Recommends \$1.5 million GF and 11 positions in the second year to create a National Center for Technology and the Law, to support instructional programs in the proposed Juris Master in Law and Economics program, and to expand Law School activities.
- ***Correct Error in Performance Funding Calculation.*** Recommends \$353,300 GF in the second year to restore funds inadvertently cut in the 1998 Session.

- **Virginia Institute of Marine Science**

- ***Upgrade Telecommunications.*** Recommends \$150,000 GF in the first year and \$50,000 GF in the second year to upgrade the computing network on the campus.

- **James Madison University**

- ***Enrollment Growth.*** Recommends \$1.1 million GF and \$1.7 million NGF and 61.7 positions in the second year to reflect enrollment growth in FY 2000 of 662 full-time equivalent students beyond the 14,573 FTE projected last year.
- ***Technology Fee Adjustment.*** Recommends \$431,512 NGF in the second year to account for increased revenues from the technology fee.

- **Christopher Newport University**
 - ***Reduce Enrollment Funding.*** Recommends (\$618,358) GF and (\$182,989) NGF and a reduction of 17.9 positions in the second year to reflect a reduction in enrollment in FY 2000 of 168 FTE students from the 4,212 projected last year.

- **Longwood College**
 - ***Information Technology.*** Recommends \$500,000 GF in the second year to provide additional support for Longwood to incorporate instructional technology into the curriculum. The amendment would provide funds for computers, software, and curriculum development.
 - ***Postage Increases.*** Recommends \$25,000 GF in the second year for postage rate increases, effective January 1999.

- **Norfolk State University**
 - ***Technology Infrastructure Network.*** Recommends \$1.1 million GF to finance the cost of network connections and the wiring of academic buildings to improve the university's telecommunications network.
 - ***Applied Research Center.*** Recommends \$360,000 GF in the second year for NSU's participation in the Applied Research Center at Jefferson Labs in Newport News.
 - ***Program Enhancement.*** Recommends \$698,689 GF in the second year in support of the Virginia Plan for Equal Opportunity in State-Supported Institutions of Higher Education. The funds would finance the development of computer-based and Internet instruction, including the training of faculty.

- **Radford University**
 - ***Environmental Remediation.*** Recommends \$275,000 GF in the second year to clean up contaminated soil at a former wood treatment facility located on the grounds of the university.
 - ***Technical Adjustments.*** Recommends \$124,500 NGF in additional revenues from the technology fee be appropriated and that additional ten positions be authorized in auxiliary enterprises.

- **Virginia Military Institute**
 - ***Enrollment Growth.*** Recommends \$94,608 million GF and \$25,982 NGF and 2.6 positions in the second year to reflect enrollment growth in FY 2000 of 25 students beyond the 1,500 projected last year.
 - ***George C. Marshall Foundation.*** Recommends \$100,000 GF for a state contribution to an endowment for the Foundation. The endowment has been established to support an outreach program on leadership for Virginia public schools.
 - ***Virginia Women's Institute for Leadership (VWIL).*** Recommends a reduction of \$13,300 GF in the first year and a reduction of \$15,200 GF in the second year to reflect a reduction of seven out-of-state students in FY 99 and a reduction of eight out-of-state students in FY 00 in the VWIL program at Mary Baldwin College. General funds support a uniform cost of \$1,900 for each in-state and out-of-state cadet.
 - ***Appropriate Tuition Revenues.*** Recommends \$747,000 NGF in the first year and \$568,000 NGF in the second year to finance utility costs, building maintenance and repair and other administrative and educational purposes. The funds were generated by enrollment growth and increases in out-of-state tuition.
 - ***Appropriate Auxiliary Enterprise Revenues.*** Recommends \$2.1 million NGF each year to improve food, residential and uniform services and for athletic programs. The funds were generated by enrollment growth and increases in auxiliary fees.

- **Virginia State University**
 - ***Program Enhancement.*** Recommends \$844,120 GF in the second year in support of the Virginia Plan for Equal Opportunity in State-Supported Institutions of Higher Education. The funds would finance four instructional computer labs for use by the School of Business, the Engineering Technology program and the Human Ecology program
 - ***New Extension Division.*** Recommends the creation of the Virginia State University "Cooperative Extension and Agricultural Research Services Division." Similar to Virginia Tech's organization, the division exists now as part of the academic program. Recommends \$583,000 GF and seven positions for the new division to begin a phased approach to

achieving a 100 percent match of state funds to federal funds by FY 2002. Currently, general funds comprise about 30 percent of the division's budget.

- **Roanoke Higher Education Authority**
 - ***Renovations for New Center.*** Recommends \$3.6 million GF under "State Grants to Nonstate Entities," bringing to \$9.0 million the state share of the cost of renovating a downtown Roanoke building for use as a Higher Education Center.
- **Southwest Virginia Higher Education Center**
 - ***Student Support Service.*** Recommends \$80,000 GF each year to support a full-time librarian and a library assistant. The Center would contract with Virginia Highlands Community College to provide the service.
- **Medical College of Hampton Roads**
 - ***Technology for New Medical Library.*** Recommends \$2.5 million GF in the second year to support enhanced connectivity, on-line databases, remote access and information communication resources for the medical college's new library in Norfolk.

Other Education

The Governor's recommended amendments result in a net general fund increase of \$461,749 for the biennium when compared to the original appropriation.

The Library of Virginia would receive nearly \$800,000 GF and six positions for the operation and maintenance of the new State Records Center. However, the library's budget is reduced by a like amount to reflect a reduction in funding for the leasing of space where state records currently are stored in the Richmond area. All state records will be consolidated in the center. **The proposed amendments provide no additional funding for state aid to local libraries. Last session, the General Assembly adopted language indicating an intent to fully fund the library aid formula over a three year period.** The Science Museum of Virginia would receive \$355,000 GF in the second year, primarily to offset an anticipated decrease in admission fee revenues. Attendance is expected to decrease significantly while the museum building undergoes extensive renovation.

- **Library of Virginia**
 - ***New Records Center.*** Recommends \$153,567 GF in the first year and \$640,891 GF the second year and six positions to operate and maintain the new State Records Center that opens in the spring of 1999.
 - ***Reduce Funding for Rent.*** Recommends a decrease of \$805,409 GF in the second year to reflect a reduction in leased space. All state records, much of which currently is stored in leased space in the Richmond area, will be consolidated in the new records center.
- **Virginia Museum of Fine Arts**
 - ***Increased Security.*** Recommends \$67,700 GF in the second year for three additional private security guards.
 - ***Additional Nongeneral Funds.*** Recommends \$1.8 million NGF to reflect revenues anticipated from a substantial increase in visitors in the second year. The anticipated increase is attributed to the "Splendors of Ancient Egypt" exhibit which opens in June of 1999 for six months.

- **Science Museum of Virginia**
 - ***Offset Loss of Admission Revenue.*** Recommends \$305,000 GF in the second year to cover losses in admission revenues caused by a construction project. Attendance is expected to decrease significantly while the museum building undergoes extensive renovation.
 - ***Transfer Funding.*** Recommends the transfer of \$25,000 GF in the first year and \$25,000 GF in the second year from “State Grants to Nonstate Entities” to the Science Museum to consolidate in one place funding for the Danville Science Museum.

- **Frontier Culture Museum**
 - ***Increase in Staffing.*** Recommends \$50,000 GF and two positions in the second year to accommodate visitors at the museum’s farm sites. The museum currently uses part-time and seasonal staff for this purpose.

Finance

The Governor's recommended amendments for the Finance Secretariat result in a net increase of \$67.1 million GF for the biennium. The largest recommended increase is \$79.1 million to adjust the fiscal year 2000 payment to the Rainy Day Fund to reflect actual 1998 collections. The largest proposed reduction is \$15.8 million GF to account for savings in debt service payments on the Commonwealth's bonded debt.

General fund increases totaling \$83.4 million have been recommended. In addition to the \$79.1 million for the Rainy Day Fund payment, significant increases include \$2.6 million in operating and one-time costs for the Department of Taxation, and \$0.9 million to add 14 positions in the Finance Secretariat.

These increases are offset by reductions of \$16.3 million GF. Of this amount, \$14.5 million GF is due to savings from debt service requirements on Virginia Public Building Authority and Virginia College Building Authority bonds. This reduction is attributable to lower interest rates and revised construction schedules. Another \$1.3 million GF in savings reflects reduced debt service costs on General Obligation bonds due to lower interest rates, a smaller August 1998, issue and revised construction schedules. The remaining reduction, \$0.5 million, adjusts projections for local aid, primarily from reduced Tennessee Valley Authority payments.

In addition to the net general fund increase, there is also a net increase of \$22.6 million in nongeneral funds. Of this amount, \$19.3 million NGF represents the amount of increased tax collections anticipated from the public private partnership in the Department of Taxation. An additional \$3.5 million NGF is set-aside for two reserve accounts, one for the Virginia Education Loan Authority and the other for the Edvantage Loan Guarantee Program.

- **Secretary of Finance**
 - ***New Assistant Secretary Position.*** Recommends \$62,019 GF and 1.0 position in the second year for an assistant secretary of finance. The position was administratively established in September 1998, with the first-year costs paid from the office's current FY 1999 appropriation.
 - ***Authority to Negotiate Regarding Federal Review.*** Includes language giving the Secretary of Finance and the State

Comptroller authority to negotiate a settlement with the U. S. Department of Health and Human Service's Office of Inspector General. The federal agency has raised potential concerns regarding charges to federal funds for centrally-provided services and potential concerns regarding whether enough savings from internal service fund reductions have been passed on to the federal government.

- **Department of Planning and Budget**

- ***New Positions.*** Adds \$41,646 GF and 3.0 positions the first year and \$311,549 GF and 3.0 positions the second year to add six positions to the Department's staff. In the first year, one of the positions will be a management information systems expert and two positions will be budget analysts. In the second year, the three additional positions will be budget analysts.
- ***Positions for Multi-Agency Team.*** Recommends six new positions in the Secretariat for a multi-agency team that could respond if an Executive Branch agency was suspected of having management or fiscal difficulties. The team would report to the Secretary of Finance regarding the nature of the difficulties and possible remedies. Of the six positions for the team, three would be housed in the Department of Planning and Budget. The budget for this Department includes \$26,936 GF the first year and \$188,184 GF the second year for the three positions. The other positions and associated funding are recommended in the Department of Accounts and the Department of the State Internal Auditor.

- **Department of Accounts**

- ***Adjust Projections for the Aid to Localities Program.*** Reduces by \$307,000 GF the first year and \$189,667 GF the second year the projections for local aid. The primary reason for the adjustment is a reduction in Tennessee Valley Authority (TVA) payments. One major customer is no longer purchasing from the authority, reducing TVA rebates back to affected localities. The second year decrease is somewhat offset by an increase of \$100,000 GF in projected wine tax revenues.
- ***Provide Appropriation for the Edvantage Loan Guarantee Reserve Fund.*** Adds \$1.5 million NGF in each year for the Edvantage Loan Guarantee Reserve Fund. The 1998 General Assembly transferred the Fund from the former State Education

Assistance Authority to the Treasury Board. If approved, the budget would now reflect this legislative action.

- ***VELA Reserve Fund Extended to Second Year.*** Adds a \$544,778 NGF appropriation in the second year to the Virginia Education Loan Authority (VELA) Loan Service Reserve Fund. The fund was established (by the 1998 General Assembly) to cover any claims from the residual reserve accounts and security pledges that remain a state responsibility from the privatization of VELA and the State Education Assistance Authority.
- ***Position for Multi-Agency Team.*** Recommends \$8,577 GF the first year and \$57,865 GF the second year for one new position for the proposed multi-agency team that could respond if an Executive Branch agency was suspected of having management or fiscal difficulties. Of the six positions for the team, one would be in the Department of Accounts.

- **Department of Taxation**

- ***Additional Operating Costs.*** Adds \$829,693 GF each year for postage, printing, computer services and wage employee costs that the agency had been absorbing in its budget.
- ***Technology Partnership Payments.*** Adds \$1.9 million NGF the first year and \$17.4 million NGF the second year to reflect increased collection revenues anticipated from the public private partnership contracts. The public private partnership allows the Tax Department to contract with private vendors for technology to increase revenues. The enabling legislation then allows the Tax Department to pay these private vendors from the increased tax revenues attributable to the partnership.

According to the enabling legislation for the partnership, increased revenues attributable to the partnership are deposited into a special Fund. The Code of Virginia further specifies that the moneys deposited in the Fund are to be used to pay private partners. The introduced budget would override the Code provisions by specifying that 90 percent of the funds in the account would pay the contractor for goods and services and up to 10 percent would be used to reimburse the Tax Department's expenses attributable to the partnership.

- ***Fund Administrative Expenses for Proposed Legislation.*** Proposes \$391,116 GF in the second year for administering the proposed reduction in the sales tax on food and the proposed

exemption of Virginia individual income tax up to \$15,000 of military basic pay for periods of active duty in excess of 90 days. Anticipated administrative costs include customer education, printing of forms, and data system modifications.

- ***Replace Forecasting Model.*** Recommends \$300,000 GF in the second year to replace the simulation model used to determine the impact of legislation on state revenues.
 - ***Taxpayer Information Safeguards.*** Adds \$228,514 GF the second year for security training, software improvements, and physical inspections to detect the unauthorized use of confidential taxpayer information.
 - ***Release of Taxpayer Information.*** Gives authority, though a language change, for the Tax Commissioner to release taxpayer information needed by the Department of Social Services to determine eligibility for the Virginia Work Incentive Payment Program.
- **Department of the Treasury**
 - ***Increase Payment to Rainy Day Fund.*** Adds \$79.1 million GF to the fiscal year 2000 payment into the Revenue Stabilization or “Rainy Day” Fund. The 1998 General Assembly had appropriated \$115.0 million GF for the fiscal year 2000 payment based on projected revenues for fiscal year 1998. The payment is adjusted upward by \$79.1 million GF to reflect the higher than anticipated actual collections.
 - ***Replace Check Printing and Mailing Equipment.*** Recommends \$142,823 GF the first year and \$333,574 GF the second year for the first two payments of a five-year lease purchase agreement to replace the Department of Accounts check printing equipment. The new equipment, purchased under the Master Equipment Leasing Program, would handle increased checks for car tax refunds and would provide a unified check printing and mailing operation between the Department of Accounts and the Department of the Treasury.

- **Treasury Board**
 - ***Reduced General Obligation Debt Service Requirements.*** Reduces by \$5.2 million GF the first year and \$10.6 million GF the second year debt service payments for General Obligation bonds, Virginia Public Building Authority bonds, and the Virginia College Building Authority 21st Century bonds in the 1998-00 biennium. The decrease in each year is due to (i) actual interest rates being less than anticipated on bonds issued in 1998; (ii) a smaller-than-projected August 1998 General Obligation Bond issuance; and (iii) a re-evaluation of the issuance schedule based on updated construction funding needs.
 - ***Technical Adjustment to VCU Steam Plant Debt Service Requirements.*** Includes an increase of \$212,145 GF and a corresponding decrease of \$212,145 NGF in the second year to adjust the fund split for debt service on the steam plant project at Virginia Commonwealth University to reflect actual use of the project.
- **Department of the State Internal Auditor**
 - ***Positions for Multi-Agency Team.*** Recommends \$17,154 GF the first year and \$115,730 GF the second year for two new positions for the multi-agency management team. Of the six positions for the team, two would be in the Department of the State Internal Auditor.
 - ***New Position.*** Adds \$68,282 GF in the second year for a new information systems auditor for the agency. The position would assist state internal auditors in developing and implementing automated data processing internal audit programs.
 - ***Continue Training Program for Internal Auditors.*** Proposes \$50,000 GF in the second year to continue the training program for internal auditors funded by the 1998 General Assembly in the first year.

Health and Human Resources

The Governor's recommended amendments result in a net increase of \$54.0 million GF for the biennium when compared to the original appropriation. This total reflects new spending of \$63.5 million GF, offset by \$9.5 million GF in savings. Also, additional appropriations of \$70.5 million in federal funds are proposed, mostly for welfare reform, other social services, and Medicaid.

Two-thirds of the general fund increase, \$41.4 million, is recommended to serve mentally disabled persons. This total includes: \$18.4 million to improve care in state institutions; \$9.9 million for additional community-based services for mentally retarded persons; \$7.4 million for medications for mentally ill persons; and \$4.6 million for community initiatives that would reduce hospitalization in state facilities.

Most of the remaining general fund increases are recommended for two items: \$15.4 million in revised Medicaid reimbursement for hospitals; and \$3.1 million for additional data processing costs in the Department of Social Services (DSS).

General fund savings of \$9.5 million include a \$7.8 million reduction in the Medicaid forecast for 1999 and \$1.7 million in savings as a result of changes and delays in automation and privatization projects for DSS.

- **Department for the Aging**

- ***Intergenerational Program.*** Adds \$74,147 GF and one position in the second year for development of local programs that will offer elderly persons opportunities to work with youth.
- ***Statewide Long-Term Care Database.*** Provides \$13,000 GF in the second year to purchase additional computers for local area agencies on aging. The computers will be used to supply client-level data as part of a statewide long-term care database.

- **Department of Health Professions**

- ***Nongeneral Fund Projects.*** Adds \$1.5 million NGF in FY 1999 and \$245,260 NGF in FY 2000 from licensing revenue for two data systems projects. One project will complete efforts to move the agency's licensing database from a mainframe to an in-house

computer system. The other will establish a database to provide information on physicians to consumers. Five FTE positions are added in the second year for these activities.

- ***Impaired Practitioner Intervention Program.*** Provides an additional \$415,669 NGF in FY 1999 and \$1.1 million NGF in FY 2000 from licensing revenue for an intervention program for impaired physicians as an alternative to disciplinary action.

- **Department of Health**

- ***Safe Drinking Water Act Funds.*** Proposes transferring \$4.0 million GF in FY 1999 to FY 2000 as state match for federal Safe Drinking Water Act funds, due to delays in implementing local projects. In addition, language is added to revert almost \$2.3 million GF in Safe Drinking Water Act fund balances to the general fund in FY 1999 due to project delays. The state match for the federal grant would total \$11.7 million GF for the biennium. Total federal funding is \$28.9 million NGF for the biennium.
- ***Water-borne Hazards Research Unit.*** Provides funding to continue a research unit to study the effects of Pfiesteria and other water-borne hazards on citizens in the Commonwealth. The 1998 General Assembly appropriated \$433,580 GF in FY 1999 for this activity. Funding each year is partially offset by the receipt of a five-year federal grant that will cover a portion of the unit's expenses, resulting in a reduction of \$163,129 GF in FY 1999 and an increase of \$316,472 GF in FY 2000. Total state funding for the unit would be \$586,923 over the biennium.
- ***Match for Abstinence Education Grants.*** Adds \$121,366 GF in the second year as state match for federal grants targeted to the reduction of teenage pregnancy through abstinence education. The 1998-2000 budget currently provides \$375,000 GF each year as state match for these grants.
- ***Virginia Fatherhood Campaign.*** Adds \$100,000 GF in FY 2000 for a program that promotes fathers' involvement in child rearing. The current budget provides \$100,000 NGF in each year for this program. Also, \$2.0 million NGF in FY 1999 from the federal welfare reform (TANF) block grant is added in the Department of Social Services for other fatherhood initiatives.

- ***Local Home Health Care Agency Audit Penalties.*** Provides \$1.0 million GF in FY 1999 as one-time funding to pay federal audit penalties imposed on 15 local health departments. The home health care programs had charged the Medicare program for costs that were not allowed or were insufficiently documented.
 - ***Dental Scholarships.*** Adds language reducing the number of dental scholarships awarded by the Board of Health from ten to five. The reduction in the number of scholarships will increase the amount of each scholarship from \$2,500 per student to \$5,000 per student, making the scholarship more attractive to dental students. In FY 1997 and FY 1998, only one scholarship was awarded each year.
 - ***Year 2000 Computer Compliance and Information Systems Expenses.*** Provides \$5.9 million GF in FY 1999 and \$848,171 GF in FY 2000 through Central Appropriations to resolve Year 2000 computer issues within the agency. An additional \$578,732 GF in FY 2000 is provided for increased information systems expenses for the agency.
- **Department of Medical Assistance Services**
 - ***Inpatient Hospital Reimbursement for DRGs.*** Provides \$15.4 million GF and \$16.5 million NGF in the second year for increased reimbursement to hospitals under a new Diagnosis Related Groups (DRGs) reimbursement system. Originally, the change from the previous per diem system was expected to be “budget neutral.” However, estimated increases in severity of illnesses and intensity of services are expected to drive up costs. According to proposed budget language, disbursements would not be made until the department recalculates cost settlements with actual updated cost information and consults with the Office of the Attorney General on any legal matters related to settlements with hospitals.
 - ***Updated Medicaid Forecast.*** Reduces the Medicaid appropriation by \$7.8 million GF and \$13.1 million NGF in the first year, based on an updated forecast of utilization and inflation through November 1998.
 - ***Year 2000 Computer Compliance.*** Provides \$700,000 NGF in the first year to meet the Health Care Financing Administration’s recommendation that states contract for independent verification and validation services as an element of Year 2000

testing. In Central Appropriations, \$500,000 GF is provided for this activity.

- ***Technical Adjustment for MHMR Facilities.*** Transfers \$9.0 million GF from the Department of Mental Health, Mental Retardation, and Substance Abuse Services (MHMRSAS) to DMAS and appropriates \$9.6 million in federal Medicaid match for MHMRSAS services.

Σ **Department of Mental Health, Mental Retardation & Substance Abuse Services**

Services to Improve Care in Communities

- ***Crisis Services for Mentally Retarded Persons.*** Adds \$7.9 million GF in FY 2000 for crisis and emergency services for persons with mental retardation on waiting lists. Funding will be used to serve about 500 individuals who are experiencing family crises or who are at-risk of losing needed individual and family supports.
- ***Community Services for Mentally Retarded Persons.*** Provides \$2.0 million GF in FY 2000 to serve about 700 mentally retarded persons on community waiting lists. The increased funding will be used to provide 15 to 20 hours per week in vocational and day support services for these individuals.
- ***New Medications for Mentally Ill Persons.*** Adds \$4.7 million GF for new medications used to treat persons with schizophrenia, bi-polar disorder, and depression in the community. These medications would help stabilize persons at-risk of institutionalization or facilitate their transfer to, and treatment in, community settings.
- ***Assertive Community Treatment Projects.*** Provides \$2.0 million GF in FY 2000 to phase in four additional Programs of Assertive Community Treatment (PACT). These regional programs provide intensive services to adults with serious mental illnesses in the community, thereby reducing hospitalizations. The additional funding would increase the number of regional programs to ten, at a total cost of \$8.2 million GF over the biennium.
- ***Pilot Project for Acute Care Services.*** Provides \$2.6 million GF in FY 2000 to develop a pilot project for using private

community hospitals for short-term inpatient psychiatric treatment. Contracts with private community-based hospitals would be awarded on a competitive basis with the goal of serving individuals closer to their homes. Language is also added to direct Community Services Boards (CSBs) participating in the pilot project to reduce their use of short-term hospitalization at state facilities. Also, CSBs would be allowed to retain savings from reductions in the use of state facility beds to use for additional community inpatient psychiatric treatment.

Services to Improve Care in Facilities

- ***Compliance with U.S. Department of Justice Agreements and Facility Improvement Plans.*** Increases funding by \$16.4 million GF and \$0.7 million NGF over the biennium to continue meeting U.S. Department of Justice settlement agreements at Eastern State Hospital and continue facility improvement plans at Central State Hospital and Western State Hospital.

The following table lists the proposed additional funding to comply with U.S. Department of Justice agreements and to implement the improvement plans by each institution.

U.S. Department of Justice Agreements and Facility Improvement Plans 1998-2000 Biennium (\$ in millions)		
<u>Institution</u>	<u>GF</u>	<u>NGF</u>
Eastern State Hospital		
Convert 70 positions to direct care staff	\$2.8	
Central State Hospital		
79 FTE positions	5.7	\$0.7
Western State Hospital		
41 FTEs in FY 1999, 3 FTEs in FY 2000	7.0	
Abatement of patient hazards	0.9	
Total	\$16.4	\$0.7

- ***Additional Staffing at Southwestern Virginia Mental Health Institute.*** Provides \$1.0 million GF over the biennium for additional direct care staffing at Southwestern Virginia Mental

Health Institute. The funding will provide 23 human services care workers and nine registered nurses to improve patient care and address safety concerns.

- ***New Medications for Mentally Ill Persons.*** Adds \$1.2 million GF in FY 2000 for new medications used to treat persons with schizophrenia, bi-polar disorder, and depression in state mental hospitals. These medications would facilitate their treatment and transfer to community settings.
- ***Increased Pharmacy Costs.*** Provides \$1.6 million GF over the biennium to meet anticipated increases in the use of prescription and over-the-counter drugs at state mental health facilities.
- ***Facility Staff Training.*** Provides \$880,000 GF in FY 2000 for intensive psychosocial rehabilitation and behavioral management training for mental health facility staff. A consultant for the Department cited deficiencies in patient rehabilitation at state mental health hospitals, due to insufficient staff training and continuing education.

Administrative Improvements and Other Actions

- ***Psychiatrist Recruitment and Training Program.*** Adds \$500,000 GF in the second year for a program to recruit graduate medical students in psychiatry and encourage them to practice in underserved areas. Language is added to direct the medical schools to develop a plan for the program, subject to approval by the Secretary of Health and Human Resources. The plan is to be completed by July 31, 1999.
- ***Oversight of CSB Performance Contracts.*** Adds \$234,202 GF and two positions in the second year for increased oversight of CSB performance contracts. Language is added to contract with an independent organization to enforce compliance with the requirements of each Board's performance contract.
- ***Oversight of State Mental Health and Mental Retardation Facilities.*** Adds \$137,986 GF in the second year to establish two positions to provide oversight of state facilities. Language is added to enable the two positions to enforce compliance with the provisions and requirements of each facility director's performance contract. The positions will also be responsible for monitoring the implementation of all settlement agreements with the U.S. Department of Justice.

- ***Managed Care Techniques.*** Adds \$250,000 GF in FY 2000 for the implementation of appropriate managed care techniques in delivering community and facility mental health, mental retardation and substance abuse services. These techniques would build on current efforts by the Department to better manage patient care through pre-authorization of care plans and utilization review of certain mental health and mental retardation services.
- ***Year 2000 Computer Compliance.*** Provides \$6.2 million GF in FY 1999 and \$30,000 GF in FY 2000 through Central Appropriations to resolve the Year 2000 computer issues within the agency.
- ***Transfer to Medicaid for Mental Health and Mental Retardation Services.*** Transfers \$9.0 million GF in FY 2000 to the Department of Medical Assistance Services (DMAS) as the state match for Medicaid-covered mental health and mental retardation services. An appropriation of \$9.0 million NGF is made to adjust for the receipt of federal Medicaid revenue for these services.
- ***Technical Adjustment for Nongeneral Funds.*** Adds \$4.0 million NGF to account for the receipt of nongeneral fund Medicaid revenues which had been received but not appropriated.

- **Department of Social Services**

Actions Related to the Federal Welfare Reform (TANF) Block Grant

- ***TANF Balances.*** Projects unspent balances in the TANF block grant at \$55.2 million in FY 1998, \$71.7 million in 1999, and \$64.9 million in 2000. As a result of proposed amendments in the introduced budget, the ending balance in 2000 is \$27.3 million more than the \$37.6 million estimated balance adopted by the 1998 General Assembly. The following table lists TANF spending proposed in the introduced budget, along with matching state and local funds (“maintenance of effort”). The descriptions that follow highlight some of the major changes proposed in the introduced budget.

**Proposed Spending for Federal Welfare Block Grant
1998-2000 Biennium
(\$ in Millions)**

	*MOE <u>State</u>	*MOE <u>Local</u>	TANF <u>Federal</u>
Projected 1998 Year-End Balance			\$ 55.2
<u>1999 & 2000 Expenditures</u>			
TANF Benefits Payments	\$ 125.1		103.0
State Administration	2.8		3.8
Information Systems	2.2		15.4
Local Administration	15.4	\$ 16.2	31.8
Employment Support Services	42.4		54.6
\$50 Child Support Pass-Through	9.1		
Child Care Maintenance of Effort	34.1	8.6	
Transfer to Federal SSBG			15.4
Transfer to Child Care Fund			34.6
EITC / Child Credit for Low-Income			15.0
Employment for Disabled			1.7
Individual Development Accounts			0.5
<u>Proposed New Items</u>			
Assistance with Energy Costs			10.0
Fatherhood Initiative			2.0
Transportation Grants			5.4
Regional Employment Groups			5.0
Foster Care & Adoption Staff			4.3
Child & Adult Facility Licensing			0.8
Year 2000 Computer Changes	0.5		0.5
TANF Plan Changes			3.0
Total	\$ 231.6	\$ 24.8	\$ 306.8
Projected 2000 Year-End Balance			\$ 64.9

*Maintenance of Effort

- ***Work Incentive Payment as Substitute for EITC.*** Provides \$15.0 million from TANF balances to implement a Work Incentive Payment program, as a contingent substitute for the Earned Income Tax Credit (EITC) passed by the 1998 General Assembly. The federal Department of Health and Human Services (HHS) has not yet approved Virginia's EITC program as an allowable state expenditure for matching the federal block grant on welfare reform (Temporary Assistance for Needy Families, TANF).
- Like the EITC, the new program will pay working families with incomes below the poverty level an amount equal to their Virginia income tax payment for tax year 1998. If HHS approves the EITC, the tax credit approach would begin in tax year 1999. The total administrative costs for implementing this program are budgeted at \$520,386, which includes the addition of four new staff in DSS.
- ***Welfare Caseload Decline.*** Reduces federal TANF appropriations by \$5.1 million the first year and \$9.9 million the second year, to reflect a decline in the welfare caseload. No general funds savings are achieved because state spending cannot be reduced below the minimum maintenance-of-effort level dictated by federal law.
- ***Funding Shift for Welfare-to-Work Program.*** Provides \$4.5 million GF as state match for the federal Welfare-to-Work program, which is intended to help hard-to-employ welfare recipients find and retain employment. The general fund appropriations are transferred from other social services, which now require less general fund support as a result of enhanced federal funding. An additional \$2.0 million GF in FY 1998 balances is also carried forward as state match for the program.
- The 1998 General Assembly provided \$19.7 million for this program during the 1998-2000 biennium: \$16.7 million in surplus federal funds from the TANF block grant, and \$1.0 million GF match for \$2.0 million in federal welfare-to-work funds. Instead, the introduced budget proposes no funding from the TANF block grant, and \$5.5 million GF match for \$16.1 million in welfare-to-work funds -- for a total of \$21.6 million in the biennium.
- ***TANF for Transportation Grants.*** Provides \$2.9 million the first year and \$2.5 million the second year from TANF balances for

regional transportation grants, intended to help welfare recipients in traveling to work.

- ***TANF for Energy Assistance.*** Provides \$5.0 million from TANF funds each year for expansion of the energy assistance program. Funds would be used to help an estimated 22,000 qualified low-income families pay a portion of their heating costs.
- ***TANF for Regional Employment Collaboratives.*** Provides \$5.0 million the second year from the TANF block grant for regional employment collaborative. These groups would develop innovative ways to provide employment services to welfare recipients looking for jobs. Grants would be used to encourage local organizations to work together in developing training programs, mentor programs, internships, and on-the-job support services.
- ***TANF for Virginia Fatherhood Initiatives.*** Provides \$2.0 million the first year from the TANF block grant program to promote fathers' involvement in child rearing. Also, \$100,000 GF the second year is added in the Department of Health for similar fatherhood initiatives.
- ***TANF Plan Changes.*** Provides \$3.0 million the second year from the TANF block grant to implement changes in Virginia's welfare plan. Some of the changes expected to be proposed during the 1999 Session include: a requirement that mothers on welfare return to work 12 months after the birth of a child (down from the current 18-month work exemption); tightened restrictions on payments for children born after a parent begins receiving welfare; and incentives for leaving welfare by offering one-time cash assistance. Most of the costs of this amendment are associated with day care and employment services provided to additional mothers who would be required to work sooner.

Local Services

- ***Additional Local Staff for Foster Care and Adoptions.*** Adds in the second year \$432,231 GF and \$6.5 million in federal funds (mostly TANF funds transferred to the social services block grant) for local departments of social services to hire an additional 172 social workers and 29 supervisors for foster care and adoption casework. The funds would enable localities to serve a growing caseload and more quickly find permanent adoptive homes when necessary.

- **Federal Fund Pass-Through to Localities.** Appropriates additional federal funds for local departments of social services that provide matching local funds: \$10.0 million for foster care, \$4.4 million for eligibility determinations, and \$2.3 million for child day care.
- **Technical Adjustment for Local Social Services Salaries.** Transfers \$2.1 million each year from Central Accounts to the Department of Social Services for salary regrades for local staff.

Automation

- **Additional Data Processing Costs.** Provides \$1.2 million GF and \$1.0 million NGF the first year and \$1.9 million GF and \$2.0 million NGF the second year for increased computer utilization and charges. Funding would support the Application Benefit Delivery Automation Project (ADAPT) and social services financial systems.
- **Delay in Child Support Automation.** Saves \$790,160 GF and \$1.5 million NGF the first year and adds \$542,160 GF and \$804,428 NGF the second year for the Automated Program to Enforce Child Support (APECS). Changes in the structure of the database will delay expenditures for the automated system.
- **Local ADAPT Conversion and Year 2000 Modifications.** Provides \$2.4 million the first year and \$1.3 million the second year from federal funds to achieve Year 2000 compliance for department systems. These actions include local overtime to convert ADAPT cases, 250 personal computers to run new financial software, software testing and modification, changes to file formats for external data exchanges, and a new voice response system for the Division of Child Support Enforcement. In Central Appropriations, an additional \$3.0 million GF is provided for addressing Year 2000 computer changes.

Other Actions

- **Federal Penalties for Food Stamp Errors.** Adds \$611,087 GF in the second year for penalties assessed by the federal government for errors in administering food stamps. The funds would be concentrated on activities designed to reduce errors, such as case readers, investigators, local grants, and training for staff.
- **Added Licensing Staff.** Provides \$766,392 in federal funds and 14 positions to help meet the *Code of Virginia* mandate to inspect

licensed child and adult care facilities twice a year. The funds would support 10 new inspectors, one supervisor, and two support staff. In addition, a specialist for mental disabilities would be added for consultation with field inspectors on services provided by adult care residences to mentally disabled residents.

- ***Increased Rates for Adult Care Residences.*** Adds \$108,809 GF the first year and \$197,102 GF the second year to increase auxiliary grants for residents of adult care residences. The rate would be increased from \$737 to \$747 per month as an adjustment for inflation.
- ***Changes and Delays in Privatization of Child Support Enforcement.*** Saves \$1.6 million GF and \$3.2 million NGF the first year and adds of \$178,000 GF and \$354,774 NGF the second year for privatization of child support enforcement. Contracts for some services have been delayed. Also, DSS now plans to privatize interstate collections instead of privatizing some regional offices within Virginia.

Natural Resources

The Governor's recommended amendments increase the general fund appropriation for Natural Resources agencies by \$55.3 million for the biennium. Nongeneral fund amendments of \$518,098 anticipate the receipt of additional federal funds for oyster propagation, and increase spending authority for the proposed Game Wardens' pay raise.

Improving water quality is the dominant theme of the proposed Natural Resources amendments. Of the \$55.3 million in new spending, \$49.0 million, or 89 percent, is directly related to this endeavor.

Most of the proposed funds for water quality -- \$45.2 million (\$44.5 million plus interest earnings) -- are tied to activities authorized under the Virginia Water Quality Improvement Act (WQIA) of 1997. The legislation directs that 10 percent of surplus revenues and unexpended agency appropriations be deposited to a special fund for water quality improvement grants. The major focus of the grants is to reduce the overabundance of nutrients in state waters.

The funding initiatives for Richmond and Lynchburg match an identical sum of federal dollars for combined sewer overflow control programs. Each city would receive almost \$5.7 million. The \$11.4 million of general fund dollars would be deposited to the Combined Sewer Overflow Matching Fund.

PROPOSED SPENDING OF WQIA FUNDS	
<u>ITEM</u>	<u>AMOUNT (in millions)</u>
<i>SOURCE OF DEPOSIT</i>	
GF Deposit to Water Quality Improvement Fund (+ interest)	\$45.2
<i>USE OF FUND DOLLARS</i>	
Cooperative Point Source Program for Lower Tributaries	(24.0)
Cooperative Nonpoint Source Program – Lower Tributaries	(6.0)
Cooperative Nonpoint Source Program – Fed. land-bank prgm.	(3.8)
<i>AMOUNT TRANSFERRED FROM WQIA FUND</i>	
Transfer to general fund for Richmond & Lynchburg CSOs	\$11.4

- **Department of Environmental Quality**
 - ***Water Quality Improvement Fund.*** Recommends \$24.0 million GF in FY 2000 to reduce nutrients from point source discharges in the Rappahannock River and James River basins. Grants will reimburse localities for biological nutrient removal facilities already in place and spur construction of new facilities.
 - ***Solid Waste Compliance Program.*** Increases inspections, monitoring, and enforcement activities as well as permitting of new and expanding solid waste landfills. Recommends \$1.3 million GF and 19 positions in FY 2000.
 - ***Lynchburg and Richmond CSO Projects.*** Deposits \$11.4 million GF in FY 2000 to the Combined Sewer Overflow Matching Fund. The two localities each receive \$5.7 million to match an identical sum of federal money.
 - ***CASRM Tributyltin (TBT) Treatment Program.*** Recommends \$1.5 million GF in FY 2000 to match private funds for the Center for Advanced Ship Repair and Maintenance (CASRM) at ODU to continue research and treatment of water contaminated by the chemical tributyltin. The toxic chemical is widely used in commercial marine paints to protect ship hulls. Norshipco and Newport News Shipbuilding are participating in the program.
 - ***Air Pollution Control Modeling.*** Addresses a recent EPA revision to the ozone standard, requiring more complex modeling for the Virginia State Implementation Plan. Increases funding by \$150,000 in each year to contract for needed software for processing of meteorological data and to purchase a “supercomputer.”
 - ***PCB Contamination in Roanoke River.*** Increases funding by \$100,000 GF in FY 1999 and \$150,000 GF in FY 2000 to study the current extent of PCB contamination. There is a Health Department advisory on the consumption of certain fish species caught in the river. Fish tissue samples have not been collected since 1993-94, and new data are needed to assess the PCB contamination.
 - ***Information Systems Support.*** Recommends \$1.0 million GF in FY 1999 and \$1.4 million GF in FY 2000 for an information management system capable of supporting the agency’s needs as

well as efforts to make agency information accessible to the public.

- ***Water Quality Monitoring.*** Increases water quality monitoring and sampling activities by \$461,000 GF in FY 2000. Funds will support more research and testing at greater frequency and sensitivity levels of toxic metals and bacteria.
 - ***Program Staffing.*** Recommends additional staffing – 18.55 GF positions and 1.45 NGF positions – and \$804,527 GF in FY 2000 to respond to the agency’s workload and program responsibilities. The positions include engineers, planners, analysts, and managers.
 - ***Volunteer Water Quality Network Grant Program.*** Recommends \$65,000 GF in FY 2000 to establish a competitive grant program to support a statewide network of volunteer water quality monitoring. Responds to the findings of a 1998 legislatively authorized study.
- **Department of Historic Resources**
 - ***Museum Exhibit.*** Recommends \$100,000 in FY 2000 to design and implement a permanent, interpretative exhibit in the agency’s new museum gallery space.
 - ***Virginia Historical Society Renovations.*** Provides \$375,000 in FY 2000 for the non-state Virginia Historical Society to provide handicapped accessibility and to develop additional classroom space. Budget language directs the non-state agency to provide lesson plans related to its exhibits on the Commonwealth of Knowledge website.
- **Department of Conservation and Recreation**
 - ***Water Quality Improvement Fund.*** Adds \$9.8 million GF in FY 2000 for projects to reduce nonpoint source pollution. Of this amount, \$6.0 million is targeted for the lower tributaries, and will be used for agricultural cost-share programs (\$2.75 million); other nonpoint source projects such as wetlands restoration and easements (\$2.5 million); and subsidies to farmers willing to participate in agricultural best management practices (\$750,000). The remaining \$3.8 million matches federal dollars to “land-bank” environmentally sensitive lands. The goal of the federal Conservation Reserve Enhancement Program is to protect water

sources by removing 35,000 acres across the state from agricultural production. Participating farmers receive lease payments directly from the federal and state governments.

- ***Animal Waste Permitting Program.*** Implements the permit program approved by the 1998 Session. The agency helps farmers write nutrient management plans, reviews the plans, and provides training in confined animal feeding operations. Adds \$192,369 GF and four positions in FY 2000.
- ***Total Maximum Daily Load Program.*** Increases funding by \$624,022 GF and two positions in FY 2000 to prepare remediation plans for 240 water segments not meeting applicable water quality standards due to nonpoint pollution.
- ***Conservation Reserve Enhancement Program.*** Recommends \$80,102 and two positions to support the state's participation in a new federal land-bank program. The statewide program leverages state dollars to federal funds at a 3 to 1 ratio. The \$3.8 million deposited to the Water Quality Improvement Fund will remove 3,500 acres from agricultural production.
- ***Open Space Easement.*** Increases funding by \$500,000 GF in FY 2000 for the Open Space Lands Preservation Trust Fund. The Fund's purpose is to encourage farmers and other landowners to donate easements on their property. The Fund pays the transaction costs for legal, appraisal and survey services.
- ***Beach Replenishment.*** Recommends \$250,000 GF in FY 2000 for Norfolk to replace sand at public beaches. Budget language indicates the money is a direct appropriation to the City. General fund dollars for this purpose are usually deposited to a special fund set up under §10.1-709 of the *Code* requiring a dollar-for-dollar match by local governments.
- ***Virginia Outdoors Survey.*** Recommends \$85,000 GF in FY 2000 to contract with Virginia Commonwealth University to update the Virginia Outdoors Plan. State agencies and localities use the statutorily required plan. The federal government uses it for certifying the state's eligibility to receive federal recreational grants.

- **Department of Game and Inland Fisheries**
 - ***Salary Increase for Game Wardens.*** Recommends \$432,827 NGF in FY 2000 to provide a salary increase of one grade for all game wardens, effective November 25, 1999.
- **Marine Resources Commission**
 - ***Oyster Propagation.*** Recommends \$350,000 in general fund support and \$150,000 in federal funds in FY 2000 to expand the agency's oyster replenishment activities. The additional money restores the program to its FY 1989 funding level.
 - ***Marine Patrol Officers.*** Adds \$156,397 GF and four positions to improve marine patrol operations and water safety in the Hampton Roads region.
 - ***Salary Increase for Marine Patrol Officers.*** Recommends \$129,580 in FY 2000 to provide a salary increase of one grade for all marine patrol officers, effective November 25, 1999.
- **Chesapeake Bay Local Assistance Department**
 - ***Program Reviewers.*** Provides technical assistance to Tidewater localities and planning district commissions to ensure consistency with the agency's water quality protection and land use regulations. Eliminates two NGF positions previously funded through a federal grant that will not be renewed. Adds \$169,792 GF and four positions in FY 2000.
 - ***Grants to Localities Outside of Tidewater Virginia.*** Increases funding by \$47,092 GF in FY 2000 to implement a voluntary competitive grants program for localities outside of Tidewater. The grants would pay localities to develop land use and water quality plans to maintain nutrient reduction caps. With \$57,908 of unexpended general fund appropriations, the total grant program is \$105,000. The appropriation is contingent upon passage of legislation.

Public Safety

The Governor's recommended amendments increase the general fund appropriation for Public Safety agencies by \$141.0 million for the biennium.

Nongeneral fund amendments totaling \$42.9 million anticipate the receipt of additional federal crime control grants, federal revenues for housing illegal aliens, special revenues from housing out-of-state prisoners, increased sales of alcoholic beverages, and transportation funds for new State Troopers.

The largest funding increase is recommended in the Department of Criminal Justice Services, with \$98.9 million GF for full funding of the HB 599 formula for aid to localities with police departments, and \$1.0 million GF to expand the school resource officer program. In addition, DCJS would receive \$11 million NGF in increased federal crime control grants.

The next largest increase is recommended for the Department of Corrections, with \$12.0 million GF for Correctional Officer salary increases, and \$8.0 million GF for deposit into the Corrections Special Reserve Fund for Project Exile and bail reform. Other recommendations include funding increased utilities and direct inmate costs. In addition, DOC would receive \$8.0 million NGF from the Immigration and Naturalization Service (INS) for housing illegal aliens. Adjustments in the cost of housing out-of-state inmates result in a reduction of \$8.9 million NGF.

Recommendations for the Department of Juvenile Justice include \$1.6 million GF for juvenile correctional officer salary increases, and language authorizing purchase of the Natural Bridge property from the U.S. Forest Service. A reduction of \$3.1 million GF is included to reflect a one-year delay in construction of the new James River Juvenile Detention Home, serving Henrico, Goochland and Powhatan Counties.

The budget, as introduced, includes 39 adult and juvenile probation officer positions to implement the provisions of legislation adopted last year requiring substance abuse screening and assessment of persons convicted of certain offenses.

Recommendations for the Department of State Police include \$2.0 million GF for a Request for Proposals for a new radio system and \$1.8 million GF for new digital data lines. Also included is \$1.0 million NGF for eight new State Troopers for the Springfield interchange reconstruction.

- **Department of Criminal Justice Services**
 - ***HB 599 Funding.*** Proposes an additional \$98.9 million GF the second year to be dispersed to localities with police departments, based on the formula established when the General Assembly adopted HB 599 in 1979. The formula has been "frozen" since 1992 and funding has remained level since that time. Under the proposed amendment, the formula is "unfrozen."
 - ***School Resource Officers.*** Recommends an increase of \$1.0 million GF the second year for the School Resource Officer Program. This program provides grant funding for localities to assign police officers to public schools.
 - ***Shelters for Battered Women.*** Includes \$250,000 GF the second year for assistance to emergency shelters for women and children who are victims of domestic violence. Language requires that the Department give priority to shelters that demonstrate the greatest financial need.
 - ***Community Criminal Justice Boards.*** Recommends \$160,000 GF the second year to assist localities in providing full-time staff support for Community Criminal Justice Boards established pursuant to the Comprehensive Community Corrections Act for Local Responsible Offenders. These boards include criminal justice officials, as well as representatives of local governments, schools and communities. Language requires that localities provide fifty percent of the cost of these staff positions.
 - ***Juvenile Accountability Incentive Block Grant.*** Provides \$452,830 GF and \$5.0 million NGF the second year for new federal grant funds received pursuant to the Juvenile Accountability Incentive Block Grant.
 - ***Federal Criminal Justice Grants.*** Provides an additional \$6.0 million NGF the second year for increased federal criminal justice grants to state and local agencies.
 - ***Private Security Regulation.*** Recommends \$51,540 NGF and 1.0 FTE position the second year to enhance the regulation of private security personnel. These funds are generated from fees paid to DCJS by the private security industry for certification and training.

- **Commonwealth's Attorneys' Service Council**
 - ***Executive Director Position.*** Recommends an additional \$13,866 GF for FY 1999 and \$38,827 GF for FY 2000 and 1.0 FTE position to fully fund the Council's Executive Director position. This position, which will become full-time, will expand training and legal assistance for Commonwealth's Attorneys.
 - ***Case Management System.*** Provides \$25,000 GF the second year for installation and maintenance of a case management system. Proposed language requires the Council to establish an oversight committee and obtain approval from the Secretary of Public Safety prior to making the software available for use by local Commonwealth's Attorneys' offices.
- **Department of Fire Programs**
 - ***Conversion of Part-Time Positions.*** Provides 2.0 FTE in order for the Department to convert two wage positions to full-time status, in order to accommodate additional agency workload.
- **Department of State Police**
 - ***Statewide Shared Land Mobile Radio System.*** Recommends an additional \$2.0 million GF to develop a Request-for-Proposal for the design of a statewide shared land mobile radio system to provide communications for 11 state agencies, including the Department of State Police. Language requires approval from the Secretaries of Public Safety, Technology, and Finance before the Department enters into a contract for the system. Language further requires that vendors submit private financing options, including leasing, as part of their proposals.
 - ***Digital Data Lines.*** Recommends an additional \$906,665 GF for FY 1999 and \$884,200 GF for FY 2000 to offset the increased cost of digital data lines. The agency is required by the Code of Virginia to provide data lines to all criminal justice agencies in the Commonwealth for access to the Virginia Criminal Information Network (VCIN). The increase in costs is the result of additional agencies coming on-line and conversion of analog data lines to digital technology, to comply with the requirements of the National Criminal Information Center 2000 project.

- ***Transfer of Funds for State Trooper Regrades.*** Recommends a technical amendment transferring \$4.1 million GF the first year and \$7.1 million GF the second year from Central Accounts to fund job class regrades effective November 25, 1998, as approved by the 1998 General Assembly.
 - ***Positions for Springfield Interchange.*** Recommends \$391,571 NGF for FY 1999 and \$589,687 NGF for FY 2000 and 8.0 FTE positions, including one First Sergeant and seven State Troopers, to patrol the construction site for the I-95/395/495 Interchange Improvement Project in Fairfax County. This project is scheduled to begin in January 1999, and will cause major traffic congestion for at least eight years. Commonwealth Transportation funds are recommended to support these positions until completion of the project.
 - ***Weight Enforcement Officers.*** Proposes a language amendment directing the Department of State Police to study the compensation provided to Commercial Vehicle Enforcement Officer positions and make recommendations to the Department of Personnel and Training for adjustments, if necessary.
- **Department of Corrections -- Central Office**
 - ***INS Revenues.*** Reflects a new revenue source estimated at \$4.0 million NGF each year, from payments by the Immigration and Naturalization Service (INS) of the U.S. Department of Justice. These payments represent funds distributed to states for housing illegal aliens sentenced on state charges and housed in state correctional facilities. The budget, as introduced, recommends that these revenues support part of the debt service payments for upgrades to the department's computer networks, as described below.
 - ***DOC Computer Network.*** Adds \$8.0 million NGF the second year from INS special revenues to upgrade the department's computer network.

The total cost of this project is estimated at \$24.5 million. Of this amount, \$20.9 million represents equipment to be financed through the Commonwealth's Master Equipment Lease program. The remaining \$3.5 million represents software and services to be paid from current appropriations.

The \$20.9 million for equipment requires debt service payments of \$6.3 million in FY 2000, \$7.5 million in FY 2001 and 2002, and a final payment of \$1.25 million in FY 2003.

The budget, as introduced, proposes that the \$4.0 million NGF received each year from the INS in the current biennium be used for the initial \$6.3 million debt service payment for FY 2000, along with \$1.7 million of the initial cost of software and services. The remaining \$1.8 million cost of software and services would be absorbed by the agency.

In the 2000-02 biennium, the expected annual \$4.0 million payment from INS will not be sufficient to cover the annual debt service payment of \$7.5 million per year, so additional funds would have to be provided to cover the shortfall.

- ***Capital Outlay Positions.*** Restores 3.0 FTE general fund positions eliminated in 1998 to the agency's capital outlay unit.
- ***Fiscal Support Positions.*** Adds \$54,220 GF and 2.0 FTE positions the second year for the agency fiscal office, to assist in managing the Contract Prisoners Special Revenue Fund.
- **Contract Prisoners Special Revenue Fund**
 - ***Adjustment of Nongeneral Fund Operating Costs.*** Reduces the estimated cost of operating state prisons holding out-of-state inmates by \$7.0 million NGF the first year and \$1.9 million NGF the second year. This savings incorporates a delay in the opening date for Wallens Ridge State Prison from January to April 1999, and several other adjustments.
 - ***Transfer to the General Fund.*** Increases by \$3.0 million the estimated transfer to the general fund from the Contract Prisoners Special Revenue Fund in the current biennium.
 - Of the \$3.0 million increase in the transfer, \$1 million represents the accumulated balance in the Corrections Special Reserve Fund ("Woodrum Fund"), consisting of amounts appropriated since 1993 to reflect increased prison operating costs associated with sentencing bills.

- ***Estimated Balance as of June 30, 2002.*** The introduced budget assumes an end-of-the-program balance of \$5.8 million in the Contract Prisoner Special Revenue Fund as of June 30, 2002. This balance is proposed to be transferred to the Corrections Special Reserve Fund ("Woodrum Fund").
- **Corrections Special Reserve Fund**
 - ***Transfer to the General Fund.*** Transfers a balance of \$1.0 million to the Contract Prisoners Special Revenue Fund, and from that fund to the general fund.
 - ***Fiscal Impact of Proposed Project Exile and Bail Reform Bills.*** Proposes \$8.0 million GF the second year for deposit into the Corrections Special Reserve Fund. This amount represents part of the estimated fiscal impact of two bills which will be introduced on behalf of the Governor, addressing minimum-mandatory sentences for possession of firearms (Project Exile) and bail reform. The Project Exile bill will require additional state prison beds. The bail reform bill will reduce the number of state prison beds required, because certain offenders will spend more time in jail, which will reduce the amount of time remaining on their sentence to be spent in prison.

In the introduced budget, the Special Reserve Fund impact is calculated as the combined net effect of these two bills:

- The highest net number of additional state inmates expected as a result of the two bills combined is 756 inmates in FY 2004. When this number is multiplied by the annual operating cost per inmate (\$18,250), the resulting net fiscal impact is \$13.8 million.
- The \$8.0 million GF proposed for deposit into the Special Reserve Fund is \$5.8 million less than the \$13.8 million net fiscal impact of the two proposed bills.
- The budget, as introduced, includes language expressing the intent that the other \$5.8 million be transferred from the Contract Prisoners Special Revenue Fund on June 30, 2002, to the Special Reserve Fund.

- **Department of Corrections -- State Correctional Facilities**

- ***Correctional Officers' Salaries.*** Adds \$12.0 million GF the second year for salary increases for correctional officers and supervisors, effective November 25, 1999. Proposed language directs the Department to develop a plan, in conjunction with the Department of Personnel and Training, to be approved by the Secretary of Public Safety. The plan is to be submitted to the Governor and the Chairmen by November 1, 1999.

The proposed language envisions a career development program for Correctional Officers, including the establishment of two additional classifications: Corrections Officer First Class and Corrections Master Officer. Standards for movement into these classifications are to include job-related knowledge, skills, and abilities, physical conditioning and agility, educational attainment, and disciplinary record. Objective forms of measurement are to be used to identify those persons qualified to move into these classifications.

- ***Direct Inmate Costs.*** Adds \$574,369 GF the first year and \$808,104 GF the second year for higher-than-anticipated actual direct costs per inmate.
- ***Private Prison Per Diem Payments.*** Adds \$129,162 GF the first year for an increase in the contract payments to the Corrections Corporation of America for the operation of Lawrenceville Correctional Center. The facility was to have opened March 1, 1998, and a slightly higher per diem rate was to have been in effect for the first twelve months of operation. In fact, the facility opened three weeks late, so the higher rate will remain in effect for three more weeks in March 1999.
- ***Private Prison Evaluation.*** Proposes a language amendment requiring the Department of Corrections to evaluate the cost and effectiveness of the Lawrenceville Correctional Center. An evaluation study design is to be submitted to the Secretary of Public Safety by October 1, 1999.
- ***Reduction in Non-Security Positions for New Prisons.*** Reduces the number of positions for Sussex II and Wallens Ridge State Prisons by 52.0 FTE NGF positions to reflect the decision to contract with a private provider for medical services rather than hire state employees.

- ***Additional Security Staff for Red Onion.*** Adds \$259,541 GF and 10 FTE positions the second year for Red Onion State Prison, to ensure that the security staffing level is comparable to that provided for Wallens Ridge, an identical facility.
 - ***Additional Security Staff for Sussex II.*** Adds 30.5 FTE positions for Sussex II State Prison. The nongeneral funds to support these security positions are included in the adjustments to the Contract Prisoners Special Revenue Fund.
 - ***Utility Cost Increase.*** Adds \$191,188 GF the first year and \$534,223 GF the second year for higher-than-anticipated usage of utilities and unanticipated local utility rate increases for Red Onion State Prison and Mecklenburg Correctional Center.
 - ***Inmate Work Crews.*** Adds \$162,160 GF the second year and 4.0 FTE positions to add one inmate work crew each at Haynesville Correctional Center and Caroline Correctional Field Unit.
 - ***Corrections Construction Unit.*** Adds \$125,000 NGF each year to expand the use of inmate labor in asbestos removal, asphalt paving, and painting projects at state correctional facilities.
- **Department of Corrections -- Community Corrections**
 - ***Drug Offender Screening.*** Includes a reduction of \$42,445 GF and an increase of \$200,000 NGF in the second year and 20 FTE positions to implement the provisions of legislation adopted last year requiring District Probation and Parole Offices to provide screening (and, if necessary, assessment) of all persons convicted of felonies. The screening and assessment process will be funded through court fees to be assessed on all drug offenders.
 - ***Norfolk City Jail.*** Adds \$375,000 GF the second year for the capital cost of renovations of the Norfolk City Jail. When added to the \$250,000 appropriated by the 1998 General Assembly, this amendment provides a total of \$625,000. This represents the 25 percent state share of the estimated \$2.5 million capital cost required under a settlement with the U.S. Department of Justice.
 - ***Roanoke Drug Court.*** Adds \$62,979 GF the first year and \$251,915 GF the second year to replace a federal grant which is expiring for the Roanoke Drug Court.

- **Department of Correctional Education**
 - ***Teacher Salary Parity.*** Adds \$2.3 million GF the second year to increase salaries for teachers in adult and juvenile correctional schools, to enable the agency to compete with local school divisions in attracting and retaining qualified teachers. ***Salaries will be increased in the fall from 0 to 19.3 percent, based on a Department of Personnel and Training survey.***
 - ***Wallens Ridge Opening Date.*** Reduces by \$100,000 NGF the second year to reflect the change in the opening date of Wallens Ridge State Prison from January to April, 1999.
- **Department of Juvenile Justice**
 - ***Juvenile Correctional Officers' Salaries.*** Adds \$1.6 million GF the second year for salary increases for juvenile correctional officers. Language is proposed which requires the agency to develop a plan which is comparable to the plan required for adult Correctional Officers in the Department of Corrections, with the plan to be submitted to the Governor and the Chairmen by November 1, 1999.
 - ***Corrections Special Reserve Fund.*** Adds \$19,500 GF the second year for the estimated fiscal impact on juvenile correctional center operating expenses, for proposed legislation to increase the penalty for assaulting a juvenile probation officer from a Class 1 misdemeanor to a Class 5 felony.
 - ***Local Detention Home Operating Costs.*** Adds \$131,065 GF the second year for the state share of operating costs for the City of Richmond and Shenandoah Valley Detention Homes.
 - ***Local Detention Home Capital Costs.*** Reduces the current appropriation for the state share of capital costs for the James River Detention Home (Henrico, Goochland, and Powhatan Counties) by \$3.1 million GF, to reflect an expected delay of one year in construction of this new facility.
 - ***Drug Offender Screening.*** Adds \$591,972 GF and \$100,000 NGF the first year, and 19 FTE positions. These funds are intended to add 16 juvenile probation officers and three regional supervisors to implement the provisions of legislation adopted last year relating to substance abuse screening and assessment.

- ***Natural Bridge Juvenile Corrections Center.*** Recommends language authorizing the Department to purchase the Natural Bridge property from the U.S. Forest Service, subject to approval by the Governor, or his designee. The language further authorizes the Governor to adjust appropriations in the Act to provide any funds needed for the purchase, once a final agreement is reached.
 - ***Youth Industries Revenue.*** Adds \$25,000 NGF the second year to authorize the expenditure of nongeneral fund revenues collected by the Department's Youth Industries program.
- **Department of Alcoholic Beverage Control**
 - ***Increased Funding for Purchase of Merchandise.*** Adds \$9.6 million NGF the first year and \$14.6 million NGF the second year for increased purchases of alcoholic beverages. Increased sales suggest a need for increased stocks of merchandise to prevent inventory shortages and reduced profits.
 - ***Increased Funding to Add New Stores.*** Adds \$1.7 million NGF the second year to open ten new ABC stores in selected locations identified as having the highest potential to increase profits and customer convenience.
 - ***Plans for Inventory Management and New Stores.*** Includes language requiring the Department to submit to the Governor and the Chairmen by October 1, 1999, plans for inventory management and opening new stores.
 - ***Plan for Store Improvements.*** Includes language requiring the Department to submit to the Governor and the Chairmen by September 1, 1999, a plan and cost estimates for renovations, redecoration initiatives, and other necessary improvements to statewide ABC retail outlets.
 - ***Increased Funding for Rent.*** Adds \$580,489 NGF the second year for increased rental charges for ABC retail stores.
 - ***Year 2000.*** Adds \$4.8 million NGF the first year for one-time expenses to resolve Year 2000 computer issues.

- **Department of Emergency Services**
 - ***Reallocation of Positions.*** Adds \$38,366 GF the second year, to cover the cost of reallocations for seven full-time and three wage positions, including budget, accounting, personnel, public relations, and office services positions. The reallocations were recommended by the Department of General Services and adopted by Emergency Services, without sufficient funds to pay for the increased costs in the second year.
 - ***Emergency Positions and Wage Conversion.*** Adds \$104,132 GF and 2.0 FTE positions in the second year. The increase of 2.0 FTE's includes a Hazard Mitigation Planner and conversion of a wage employee in the fiscal office to full-time status. Funds are also included for a Public Assistance Officer for whom the FTE position already exists, but who is currently paid from a sum sufficient appropriation.
 - ***Terrorism Consequence Management Position.*** Adds \$42,732 GF the second year and 1.0 FTE position to train local emergency teams to respond to and recover from terrorist attacks.
 - ***Radiological Planner Position.*** Adds \$42,216 NGF and 1.0 FTE position the second year to plan for radiological emergencies. The nongeneral funds are provided by Virginia Power.
- **Department of Military Affairs**
 - ***Fort Pickett Contract Services.*** Adds \$145,483 GF the second year to contract for fire suppression and emergency medical services for Fort Pickett.
 - ***Fuel Distribution System.*** Adds \$11,792 GF and \$35,377 NGF the second year for a mechanic to operate and maintain the 192nd Fighter Wing's new jet fuel storage, distribution, and dispensing system at the Virginia Air National Guard Base at Richmond International Airport. The agency can absorb this position within its current Position Level.

Technology

The Governor's budget proposals establish an Office of Technology, transferring several agencies and programs to the Secretariat from other areas. The 1998-2000 amendments in this Secretariat result in increased funding totaling \$3.5 million GF and thirty positions, net of transfers and technical adjustments. Funding for the Secretariat overall totals \$45.5 million GF, \$5.0 million NGF, and 356 positions.

The Department of Information Technology, the Council on Information Management, the Innovative Technology Authority, the Century Date Change Project Office, the Virginia Information Providers Network Authority, and the new Secretary's Office comprise this secretariat. Initiatives in the Governor's budget proposals include expansion of the Geographic Information Systems Network, increased Year 2000 Project efforts, and reversal of a proposed reorganization of the Department of Information Technology.

- **Office of Technology**
 - ***Establish the Office.*** Adds \$103,820 GF the first year, \$499,512 GF the second year, and five positions to create the Office of Technology, which was established administratively in June 1998 by Executive Order 9 (98).
- **Council on Information Management**
 - ***Virginia Geographic Information Network Division.*** Includes \$535,230 GF and three positions the second year to develop and coordinate standard policies and procedures for geographic information systems.
 - ***Innovative Technology Program.*** Transfers \$167,137 GF and two positions from the Department of Environmental Quality in the second year, which support a program which assists high technology firms with federal defense contracts. The program is intended to promote technological innovations and market new small business products.
 - ***Technology Grants.*** Changes the source of funds for technology grants awarded by the Council to state agencies, by adding \$100,000 GF the second year. Currently, grants are funded with the internal service fund of the Department of Information Technology, to initiate technological innovations and efficiencies in state agencies and institutions.

- **Century Date Change Project Office**
 - ***Year 2000 Compliance.*** Adds \$1.0 million GF the first year, \$960,000 GF the second year, and four positions to increase staffing and expand the scope of monitoring activities by the Century Date Change Initiative Project Office. The project office provides oversight and management of the state's efforts to resolve the Year 2000 computer date change problem in all state agencies.
 - ***Year 2000 Personnel Incentives.*** Includes \$60,000 GF the first year, and \$75,000 GF the second year to establish a personnel incentive (bonus) program to retain employees with essential and critical skills needed to resolve the Year 2000 computer date change problem.
- **Department of Information Technology.**
 - ***Restore Positions.*** Increases by 16 positions the second year staffing for the department. The proposal would maintain current staffing levels. The positions are funded from internal service fund appropriations, which are overseen by JLARC. A 1997 JLARC study of the state's management of information system resources recommended a reorganization of DIT, and a reduction in its employment level. Those recommendations are the basis of second year position levels in the approved budget, but would not be implemented under the proposed amendment.
- **Virginia Information Providers Network Authority**
 - ***Establish Funding Mechanism.*** Includes 2.6 million NGF the first year, \$2.3 million NGF the second year, and two positions. to establish the Virginia Information Providers Network Authority (VIPNet). The appropriation supports payments to the network provider and support for the VIPNet Authority Board.

Transportation

The Governor's recommended amendments result in a net increase of \$304.7 million (NGF) for the biennium when compared to the original appropriation.

About 87 percent of the recommended increase is for the Department of Transportation (VDOT). A net increase of \$265.2 million is proposed for VDOT, primarily in federal funds for highway construction. **State Transportation Trust Fund revenues, used to support new construction, are estimated to decline by \$3.1 million over the biennium, compared to last year's forecast.** The recommended net increase for the Department of Rail and Public Transportation (DRPT) is \$36.2 million, primarily generated by federal TEA 21 funds for transit and rail projects recommended by the Commonwealth Transportation Board.

The recommended amendments also propose \$1.9 million and 15 additional positions in the second year for the Department of Motor Vehicles to administer the car tax reduction program.

Several policy changes are proposed:

- ***Reconciling with the Federal TEA 21 Program.*** Extensive, detailed language in the Secretary of Transportation section proposes how the allocation of federal funds available under the new federal TEA 21 program should be reconciled with provisions of the Code of Virginia regarding the allocation of transportation revenues.
- ***Filling Vacancies in VDOT.*** A proposed amendment authorizes the Governor to administratively provide additional positions to VDOT, and VDOT is instructed to “aggressively seek to fill current position vacancies.”
- ***Postponing a “Special Needs” Study.*** Language recommends that the December 20, 1998, due date for recommendations from a study of the special transportation needs of handicapped and elderly individuals be postponed for one year. The study is to be conducted jointly by the Secretaries of Transportation and Health and Human Resources.

- Department of Aviation
 - ***State Aid to Local Airports.*** Recommends an increase of \$85,700 NGF in the first year and a decrease of \$249,000 NGF in the second year. This program receives 2.4 percent of Transportation Trust Fund revenues, which are estimated to be less in the second year than projected last year.
- **Department of Transportation**
 - ***Construction Increase.*** Recommends \$161.7 million NGF in the first year and \$90.1 million NGF in the second year for acquisition and construction of highways. Federal revenues account for the net increases.
 - ***Alternative Pay Plans.*** Recommends \$1.1 million NGF in the first year and \$5.4 million NGF in the second year for alternative pay plans for fiscal and procurement staff and for the department's civil engineers. The department is authorized in the Appropriation Act to implement alternative pay plans on a pilot basis and one such plan currently is underway for maintenance employees. The alternative plans for the fiscal and procurement staff and for civil engineers were recently approved by the Department of Personnel and Training. The funds would be used to give the employees involved competency-based increases in lieu of the increases of the standard state pay plan for classified employees.
 - ***Funding Changes for Northern Virginia Program.*** Recommends an increase of \$365,000 NGF in the first year and \$398,000 NGF in the second year in right-of-way fees dedicated to the Northern Virginia Transportation District Fund which is used to provide debt service payments on bonds issued for Northern Virginia transportation projects.
 - ***Transfer to the Department of State Police.*** Recommends the transfer of \$392,571 NGF in the first year and \$589,687 NGF in the second year from the Interstate Construction program to the Department of State Police. The funds would finance eight patrol positions to help manage traffic congestion related to the reconstruction of the Springfield interchange where Interstates 95-395-495 converge in Northern Virginia.
- **Department of Rail and Public Transportation**
 - ***TEA 21 Funds for Transit and Rail Projects.*** Recommends \$34.2 million NGF in the first year and \$1.8 million NGF in the

second year for a variety of projects recommended by the Commonwealth Transportation Board and financed by new federal TEA 21 funds and a \$2.7 million state match. The projects include:

- 1) \$10.8 million in the first year for Congestion Mitigation and Air Quality activities in Northern Virginia, Tidewater and Richmond;
- 2) \$8.5 million in the first year for Tidewater Transportation District public transportation improvements.
- 3) \$4.0 million each year for the Virginia Railway Express;
- 4) \$2.5 million in the first year for a Dulles International Airport bus corridor in Northern Virginia.
- 5) \$2.4 million in the first year for Peninsula Transportation District Commission public transportation improvements.
- 6) \$2.1 million in the first year for improvements to a maintenance facility for the Greater Richmond Transportation Company.

- **State Formula Assistance for Public Transit.** Recommends an increase of \$540,200 NGF in the first year and a decrease of \$1,553,700 NGF in the second year. This program receives 14.5 percent of Transportation Trust Fund (TTF) revenues in FY 99 and 14.7 percent in FY 00. TTF revenues are estimated to be less in the second year than projected last year.
- **Administrative Support.** Recommends \$123,705 NGF and one position and two wage positions in the second year for administrative support for the department.
- **Commuter Rail Study.** Recommends a study of the feasibility of constructing a commuter rail project from Springfield to Tysons Corner and Vienna in Northern Virginia. A report would be due December 1, 1999, to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees.

- **Department of Motor Vehicles**

- **Car Tax Program Administration.** Recommends \$1.9 million NGF and 15 positions in the second year to administer state funded car tax reductions.

- ***Modification of Drivers' License.*** Recommends \$1.4 million NGF and four positions to implement changes to the Virginia drivers' license, as mandated by the federal Illegal Immigration Reform Act of 1996.
 - ***General Position Increase.*** Recommends \$332,973 NGF and seven positions for three purposes: enhance motor carrier enforcement; oversight and administration of federal safety grant funds; and, requirements of the National Motor Vehicle Titling Information System.
- **Virginia Port Authority**
 - ***Changes in Transportation Trust Fund Share.*** Recommends an increase of \$144,600 NGF in the first year and a decrease of \$435,800 NGF in the second year. This program receives 4.2 percent of Transportation Trust Fund revenues, which are estimated to be less in the second year than projected last year.

Central Appropriations

Central Appropriations contains funds used to supplement state agency budgets for unbudgeted or unallocated costs. These funds are designed for a variety of purposes, including state employee salary increases, economic contingencies to address emergencies, higher education lease payments, and the Governor's discretionary economic development "Deal Closing" Fund.

The Governor's recommended amendments for Central Appropriations result in a net increase of \$78.7 million GF. Of this amount, \$53.2 million is recommended to support salary increases and health insurance rate increases for state employees. Another \$16.9 million is recommended for a series of economic development initiatives and \$27.3 million is added to assist selected agencies with Year 2000 problems with information systems.

A reduction of \$1.5 million is recommended in funding for solar photovoltaic grants. Savings of \$1.2 million are captured from a one-time "holiday" on premiums paid by state agencies for automobile insurance.

Technical amendments transfer \$21.6 million GF allocated by the 1998 General Assembly for job class regrades from the Central Appropriations to the affected agencies, and distribute a previously approved \$5.5 million reduction in SOQ funding to Direct Aid for Public Education.

- **Compensation Supplements**
 - ***June 25, 1999 Longevity Increase.*** The Governor recommends providing certain state classified employees ***in the Executive Branch*** with a one-step (2.25%) salary increase on June 25, 1999. To qualify for this increase an employee must have at least three years of service and a rating of "meets expectations" or better on their most recent performance evaluation. This longevity increase will cost \$25.0 million GF the second year. These amounts include the share of salary increases that would normally be borne by non-general funds at the institutions of higher education.
 - ***November 25, 1999 Salary Increase.*** A total of \$21.4 million GF is recommended in the second year to provide a 4.0 percent salary increase for state employees on November 25, 1999 and for state-supported local employees on December 1, 1999. The difference in effective dates is the result of the implementation

of lag pay. These amounts include the share of salary increases that would normally be borne by non-general funds at the institutions of higher education.

- **Technical Adjustments.** Two technical adjustments provide a net increase of \$0.7 million GF the first year and \$0.4 million GF the second year for employee compensation. First, funding of \$701,383 GF is recommended to be transferred from the second year to the first to more accurately reflect the annual costs of the salary plan for local social services employees. Second, an additional \$1.1 million GF is provided in the second year to reflect technical adjustments in the classified salary base and higher education cost recoveries.
- **Transfers.** A series of four amendments totaling \$21.6 million GF transfer previously approved appropriations for job class specific salary increases to the affected agencies.

	1998-00
	Total
Distribute State Police Regrade	(\$11,225,833)
Distribute Social Services Salary Increase	(4,120,868)
Distribute District Court Employee Regrade	(5,485,279)
Distribute Magistrates Regrade	<u>(718,057)</u>
	(\$21,550,037)

- **Job Class Regrades.** In prior years, salary increases proposed for specific jobs – referred to as “job class regrades” were budgeted to the Central Appropriations. In HB 1450 / SB 800, funds to support proposed job class regrades have been included in the budgets of affected agencies. In total, \$36.4 million GF has been recommended in the second year for nine job class regrades:

<u>Agency</u>	<u>Job Class</u>	<u>GF</u>	<u>NGF</u>	<u>TOTAL</u>
Comp Bd.	Deputy Sheriffs: one pay grade (9.3%) salary increase.	\$20,113,465	\$0	\$20,113,465
DJJ	Juvenile Corrections Officers: career progression plan.	1,582,053	0	1,582,053
DOC	Corrections Officers: career progression plan.	11,980,485	0	11,980,485
DCE	Correctional Education Teachers: average 10% increase for parity with public school teachers	2,246,026	0	2,246,026
DGIF	Game Wardens: one pay grade (9.3%) salary increase.	0	432,827	432,827
DMR	Marine Patrol Officers: one pay grade (9.3%) salary increase.	129,580	0	129,580
VDOT	Alternative Pay Plans	0	6,545,400	6,545,400
Atty. Gen.	Entry Level Attorney's: one pay grade (9.3%) salary increase	168,446	42,112	208,632
DACS	Food Safety Inspectors: one pay grade (9.3%) salary increase.	160,589	40,186	200,775
		\$36,212,198	\$473,013	\$36,685,211

- **Economic Contingency Fund**

- **Solar Photovoltaic Incentive Fund.** Recommends a general fund reduction of \$33,500 GF the first year and \$1.4 million GF the second year for the solar Photovoltaic Grant Fund. The reduction reflects the administration's revised production estimates.
- **Shipbuilding Incentive Grant Fund.** Increases by \$9.8 million GF in the second year the Advanced Shipbuilding and Carrier Integration Center investment grant program.
- **Attract Major Employer.** Recommends an increase of \$6.0 million GF the second year in the Economic Opportunity Fund, to assist in attracting two major economic development expansion projects.

- ***Motion Picture Opportunity Fund.*** Proposes \$500,000 GF the second year to establish a Governor's Motion Picture Opportunity Fund. Grants from the fund would be used to attract film production to Virginia.
 - ***Study Workforce Training Programs.*** Recommends \$150,000 GF in the second year for a study of the state's workforce development needs. This proposal is discussed in more detail in the Higher Education section.
 - ***Establish Workforce Training Loan Program.*** Recommends \$500,000 GF in the second year to establish a statewide workforce training loan program. This proposal is discussed in more detail in the Higher Education section.
- **Reversion Clearing Account – Miscellaneous**
 - ***Premium “Holiday” for Automobile Liability Insurance.*** Captures savings of \$1.2 million GF the second year from a one-time “holiday” on premiums paid by state agencies for automobile insurance and transfers these funds to the reversion clearing account.
- **Reversion Clearing Account – Public Education.**
 - ***Distribute Reduction.*** Transfers a reduction of \$2.8 million GF each year to Direct Aid for Public Education to reflect the distribution of a previously approved reduction in SOQ funding.
- **Information Systems Management**
 - ***Year 2000 Corrections.*** Recommends an additional \$23.2 million GF the first year and \$4.1 million GF the second year to pay the cost of correcting year 2000 problems for information systems at non-higher education agencies. Funds to correct the year 2000 problem in higher education are budgeted directly to the affected institutions.
- **Health Insurance Administration**
 - ***Employer premium increases.*** Provides \$5.7 million GF the second year for increases in the employer premiums for group health insurance. These amounts include payment from the general fund of the share that would normally be borne by non-general funds at the institutions of higher education.

Independent

The Governor's recommended amendments result in a net increase of \$1.2 million NGF for the biennium when compared to the original appropriation. These recommended funding increases in two agencies: the State Corporation Commission, \$1.0 million, and Workers' Compensation Commission, \$0.1 million.

The State Corporation Commission's \$1.0 million increase provides additional funds to correct Year 2000 problems with information systems. The additional \$0.1 million for the Workers' Compensation Commission provides three FTE positions to address increased workload.

- **State Corporation Commission**
 - ***Fund Year 2000 Compliance.*** Recommends an additional \$730,236 NGF the first year and \$293,109 NGF the second year to correct century date change problems in information systems.
- **Virginia Workers' Compensation Commission**
 - ***Increased Workload.*** Provides \$148,250 NGF and three FTE positions the second year for increased workload.

Historic Landmarks and Nonstate Agencies

The introduced budget recommends adding \$5.1 million GF for two historic landmarks and four nonstate agencies in the second year. These funds are grants to nonstate groups and organizations for historical and cultural purposes and must be matched by a local contribution.

- **Historic Landmarks and Nonstate Agencies**
 - ***Children's Museum of Virginia.*** The introduced budget adds \$250,000 GF in FY 2000 for the Children's Museum of Virginia located in Portsmouth. The 1998 General Assembly provided \$200,000 each year of the biennium for the museum.
 - ***Virginia Marine Science Museum.*** The introduced budget adds \$1,000,000 GF in FY 2000 for the Virginia Marine Science Museum located in Virginia Beach. Language is added to designate the funding for architectural and engineering fees associated with facility expansion and possible development of regional tourism. The 1998 General Assembly provided funding of \$500,000 GF each year of the biennium for the museum.
 - ***Roanoke Higher Education Center.*** Provides \$3.6 million GF in the second year to the Roanoke Higher Education Center. A description of this project can be found in the Higher Education section of this report.
 - ***Virginia Holocaust Museum.*** Adds \$125,000 GF in the second year for the Virginia Holocaust Museum located in Richmond.
 - ***King and Queen County Historical Society.*** The introduced budget adds \$100,000 GF in FY 2000 for the King and Queen County Historical Society.
 - ***Lynnhaven House.*** Provides \$50,000 GF in FY 2000 to the Association for the Preservation of Virginia Antiquities for the Lynnhaven House in Virginia Beach.
 - ***Science Museum of Danville.*** Transfers \$25,000 GF in each year of the biennium for the Science Museum of Danville from nonstate agencies to the Science Museum of Virginia, a state agency. The Science Museum of Danville is a unit of the Science Museum of Virginia.

- **Virginia Recreational Facilities Authority.** Language is added to require the Authority to certify to the Secretary of Finance that matching funds are available before the grant is disbursed. This language was contained in the budget for the 1996-1998 biennium, but was omitted in the current budget.
- **Return of Grants Not Spent by Historic Landmarks and Nonstate Agencies in FY 1998.** Returns \$62,658 GF to the general fund for FY 1998 grants not spent by nonstate agencies by December 1, 1998. The following table lists the historic landmarks and nonstate agency grants, which were unspent and returned to the general fund.

Agencies Returning Grants Not Spent in FY 1998

Historic Landmark/Nonstate Agency	<u>FY 1998 Grant Amount</u>	<u>Amount Unspent</u>
Hampton University Museum Foundation	\$30,000	\$30,000
Historic Pocahontas, Inc. for Pocahontas Cemetery*	10,000	5,000
Mathews County	15,000	844
New Kent Historical Society*	10,000	6,514
Old Portlock School (Chesapeake Museum)*	100,000	5,300
Shady Grove School	<u>15,000</u>	<u>15,000</u>
Total	\$180,000	\$62,658

*Entity is an historic landmark or organization.