



2010 Budget Briefing Summary December 20

Virginia*forever* held its annual board meeting and budget briefing on Monday, December 20th in Richmond, Virginia. The Board of Directors and attending public heard presentations of Governor McDonnell's proposed amendments to the 2010-2012 biennial budget from the agencies and departments responsible for the oversight of natural resources and agriculture in the Commonwealth of Virginia. Presenters included the Honorable Doug Domenech, Secretary of Natural Resources; the Honorable Todd Haymore, Secretary of Agriculture and Forestry; David Paylor, Director of the Department of Environmental Quality (DEQ); David Johnson, Director of the Department of Conservation and Recreation (DCR); Robert Duncan, Director of the Department of Game and Inland Fisheries; and Carl Garrison, State Forester.

Natural Resources Secretariat

Secretary Domenech provided an overall budget perspective for the six agencies in the Department of Natural Resources, which includes the Departments of Conservation and Recreation, Environmental Quality, Game and Inland Fisheries, and Historic Resources, the Marine Resources Commission, and Virginia Museum of Natural History.

- Governor McDonnell's natural resources funding priorities are the restoration of the Chesapeake Bay and land conservation. The Governor is committed to the conservation of an additional 400,000 acres of land in the Commonwealth; therefore, \$2 million of additional general funds for land conservation easements are split between the Virginia Land Conservation Fund (VLCF) and the Department of Historic Resources (DHR). The Governor has also directed the transfer of an additional \$2 million from the land conservation bond fund to DCR and DHR for land conservation easements.
- Deputy Secretary of Natural Resources, Maureen Matsen, spoke briefly on the Commonwealth's energy agenda. Ms. Matsen serves as the Governor's Senior Advisor on Energy Policy. She noted that a budget amendment allocates funding for one additional staff person at DEQ to issue permits by rule for small on- and off-shore wind energy projects. A process is underway to issue permits for small solar projects, as well as biomass-waste energy, and municipal solid waste.

Department of Environmental Quality

The Department of Environmental Quality in Virginia is charged with overseeing and administering federal and state laws that regulate air and water quality, water supply, and waste management. Director David Paylor gave an assessment of the Department's fiscal outlook and its priority areas.

- Water protection is DEQ's largest expense and is funded by general and non-general fund allocations. State general funds account for only 20 percent of the water protection budget and revenues are declining (this was once over 60 percent); federal funding contributes to 30 percent of the budget.
- A \$3.6 million allocation was committed to DEQ for the Virginia Water Quality Improvement Fund (WQIF) to be used for the prevention, reduction, and control of point source pollution, specifically via biological nutrient reduction technologies.
- The Commonwealth has signed commitments on 56 projects worth \$656 million; by the end of the year there will be obligations of \$108 million in excess of the Commonwealth's capacity. In addition, there are currently 22 unsigned projects in the pipeline amounting to \$252 million of additional obligation if signed. Due to budget constraints, the Commonwealth is currently reimbursing localities at an 85 percent rate with the WQIF.
- The most recent budget cuts resulted in the elimination of water supply grants, air funds, and some water quality monitoring.

Department of Conservation and Recreation

Director David Johnson reviewed the proposed budget amendments affecting DCR and its capacity to execute its mission.

- Budget cuts in FY 2011 amount to \$65,000 and increases to \$78,000 in FY 2012.
- State parks were initially scheduled to receive an additional \$500,000 in FY2012; however, this funding was cut by \$200,000, resulting in net additional funds of \$300,000. The Director is confident that the level of service will not be significantly comprised by the budget reduction.
- Positive budget amendments include an increase of \$1 million in general fund appropriations to the Virginia Land Conservation Fund for land conservation easements and an additional transfer by the same amount to the Department of Historic Resources for deposit to the Civil War Historic Site Preservation Fund.

- Deposits of \$32.7 million will be made to the WQIF for the prevention and reduction of nonpoint source pollution; \$28 million will be split over two years and committed to agricultural BMPs, with the remaining \$4 million designated to requests for proposals for livestock stream exclusion practices (a 10-year project).

Department of Game and Inland Fisheries

Director Robert Duncan discussed the Department's fiscal position, land acquisitions for the year, and legislative opportunities to enhance the Department's financial outlook.

- This Department receives very little general fund appropriations; most revenues originate from nongeneral fund sources, primarily the sale of licenses. The budget is exhausted due to low license sales and it is now an urgent matter to identify and implement measures to improve the Department's financial sustainability. Two solutions include a proposed facility use fee not to exceed \$3/day and proposed license fee increases.
- The Department closed several large and small land acquisitions this year funded from its operating budget and cash balance; Short Hills, Big Woods, Florida Rock, and Southern Timber. The Lake Frederick, Hopyard Landing, and Higgenbotham Cave acquisitions were gifted to the Commonwealth.
- Mr. Duncan estimates that projected revenue will be insufficient in 2014 to continue existing services and programs. He discussed the following legislative opportunities to establish sustainable funding sources:
 - Allow multiyear licenses;
 - Allow a Forever license (similar to the Forever stamps);
 - Allow annual CPI-based adjustments to pricing;
 - Allow increasing the lifetime license fee authority;
 - Allow separation of big game licenses;
 - Remove the boat ramp exemption from use fee;
 - Remove the lifetime license age step-down; and
 - Reduce license exemptions.

Agriculture and Forestry Secretariat

Secretary Todd Haymore provided an overview of the challenges facing the Department of Agriculture and Forestry amid budget reductions.

- The Department of Agriculture and Consumer Services (VDACS) requested a \$400,000 appropriation for the purchase of development rights program (PDR). With annual allocations of up to \$500,000 per budget year, the office is still struggling to make large purchases. It was also noted that Virginia Beach has the largest PDR program in the state.

- The Department has requested \$186,000 to fund two new positions in the Agricultural Stewardship Program, which provides support and technical assistance to meet water quality standards for family farms. Currently, one staff person is responsible for the entire state.

Department of Forestry

Carl Garrison, State Forester, elaborated on the challenges caused by budget reductions and staffing shortages.

- The Department of Forestry faces \$420,000 in budget reductions and a loss of four full-time staff. The Department consists of about 250 employees and is declining, while work load and unfunded mandates are increasing. A 1998 notification program requires that all logging jobs be reported; the Department conducted 15,000 inspections this past year with reduced staff.
- From 2007-2010, the Department will acquire nearly 29,000 acres of forestland funded by a \$30 million bond package in Governor Kaine's Administration.
- On water quality, there is an 82 percent compliance rate on all BMPs on the forest track; and only two percent of all logging jobs are in violation of sediment going into the streams and the Chesapeake Bay.

Comments, Questions, and Answers

- The question regarding current natural resource funding as a percentage of the Commonwealth's budget was posed by an attendee. It was largely agreed upon that funding for natural resources are still less than 1 percent of the General Fund budget, while reaching its height at 1.3 percent during the Kaine Administration. The goal is to reach 2 percent.
- Regarding the Water Quality Improvement Fund, \$18.8 million is not committed and there has been some discussion of allocating the funds to special projects, such as poultry waste to energy and urban stormwater pilots. However, the majority of this funding will be designated for agricultural BMPs.
- In reference to the \$108 million of signed projects for which there is no money, Secretary Domenech and Mr. Paylor acknowledged that there is no current solution to address this shortfall; reimbursements will continue as long as the funding is available.