



COMMONWEALTH of VIRGINIA

Office of the Governor

Robert F. McDonnell
Governor

April 20, 2010

Dear Members of the Virginia General Assembly:

I wanted to send a brief message on my proposed budget amendments related to possible enhanced FMAP funding to Virginia. I know there has been discussion about their intent and I wanted to clear up any questions.

Our current estimates are that an extension of the enhanced FMAP funding will provide Virginia with an additional \$417 million of federal funds for the Medicaid program. This will free up a like amount of general fund money now budgeted for Medicaid.

However, the contingent FMAP appropriation enacted by the General Assembly would allocate approximately \$430.8 million of general fund savings to restore a variety of budget reductions in the HHR area. The release of this general fund money is to be implemented as soon as the FMAP extension is enacted into law by the federal government.

Because the amount of budget reductions to be restored is greater than what is anticipated from the FMAP extension, net general fund spending will increase by approximately \$13.8 million once the enhanced FMAP extension is enacted. The proposed budget amendments would simply allow the administration to make necessary adjustments to eliminate the \$13.8 million general fund budget gap. Otherwise, the total general fund budget would be out of balance because the unappropriated general fund balance in the enrolled budget bill is only \$6.8 million dollars. There is no mechanism in the enrolled bill to reconcile the difference between the expected benefit to be received from the FMAP extension and the restoration of the \$430.8 million in general fund budget reductions.

I believe we need to provide some flexibility to address this potential budget shortfall now rather than begin the budget development process in December with a deficit. I appreciate the General Assembly's efforts to keep the enhanced FMAP funding within Health and Human Resources. My proposed budget amendments will not alter the HHR programs approved by the General Assembly to benefit from the FMAP extension. I fully recognize that applying the enhanced FMAP funding consistent with the General Assembly's recommendations avoids further cuts that would place Virginia's Medicaid recipients and providers at risk. My amendments are solely intended to provide flexibility in order to match additional spending to available resources. I will work with the affected stakeholders as needed to implement any necessary adjustments.

I am happy to answer any further questions related to these or any other amendments.

Sincerely,

A handwritten signature in cursive script that reads "Robert F. McDonnell".

Robert F. McDonnell

RFM/pdw