

Central Appropriations

The recommendations for Central Appropriations contain \$1,533.6 million in general funds used to supplement state agency budgets for unallocated or unbudgeted costs. These funds are designated for a variety of purposes, including state employee salary increases, economic contingencies to address emergencies, higher education equipment lease payments, the Governor's discretionary economic development "Deal Closing Fund", and the Personal Property Tax Relief Fund.

This section of the budget also includes the appropriation of \$172.2 million NGF of tobacco settlement funds for the biennium. These funds are proposed to be used to establish the Tobacco Settlement Fund (\$28.7 million NGF), and the Tobacco Indemnification and Community Revitalization Fund (\$143.5 million NGF).

Finally, the budget contains four appropriation reversions which together reduce agency budgets by \$112.4 million. These reversions are projected savings from productivity increases (\$91.7 million GF); a premium holiday for automobile liability insurance (\$2.4 million GF); a premium holiday for performance indemnity bonds (\$0.2 million GF); and elimination of the first year and partial elimination of the second year of prefunding for the retiree health insurance credit (\$18.1 million GF).

Personal Property Tax Relief Program

The introduced budget includes \$572.4 million GF the first year and \$855.4 million GF the second year to continue phased elimination of the personal property tax on personally owned vehicles assessed at under \$20,000. During the 2000-2002 biennium the phase-in will increase from 47.5 percent of assessed value to 100 percent of assessed value.

Projected funding requirements for 2000-02 are higher than anticipated last year -- largely due to substantial increases in new car sales. For the 2000-02 biennium, additional funding for the program totals about \$878.1 million more than the amount appropriated for FY 2000.

Tobacco Settlement Funds

The introduced budget also reflects monies received from the national Tobacco Master Settlement Agreement (MSA). A total of \$235.3 million in Settlement revenues is included in the 2000-02 budget. Sixty percent of this amount is budgeted in the Central Accounts as nongeneral fund revenue, in keeping with legislation adopted last session establishing dedicated funds for specific purposes.

Fifty percent of the revenue received is earmarked and appropriated for the Tobacco Indemnification and Community Revitalization Fund. Another 10 percent is allocated to the Virginia Tobacco Settlement Foundation Fund. The remaining amounts are included as general fund revenue. In FY 2001, the full 40 percent is appropriated for transportation purposes. In FY 2002, the budget assumes that securitization of the 40 percent of revenues will occur, and that \$11.6 million will remain as the residual -- after the sale. The table below outlines the proposed budget for MSA revenues.

Sources of Tobacco Settlement Funds				
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>TOTAL</u>
Initial Payment	\$ 93.5	\$ 45.6	\$ 46.8	\$ 185.9
Annual Payment	<u>73.0</u>	<u>83.3</u>	<u>111.3</u>	<u>267.6</u>
Total	166.5	128.9	158.1	453.5
Uses of Tobacco Settlement Funds				
Tobacco Commission (50%)	83.3	64.5	79.1	226.8
Revitalization NGF				
Tobacco Settlement Foundation (10%)	16.7	12.9	15.8	45.4
NGF				
Unallocated (40%) - General Fund	66.6	51.6	11.6*	129.8
* In FY 2002, the amount shown is the residual -- after securitization of 40% of MSA revenue has occurred.				

Of the total MSA revenues provided to the Tobacco Indemnification and Community Revitalization Fund in FY 2001 and FY 2002, the introduced budget allocates \$69.1 million NGF for 21 projects and programs, which are listed below.

<u>Agency</u>	<u>Project</u>	<u>FY 2001</u>	<u>FY 2002</u>
VPI&SU	Biomedical Sciences Complex, Phase I	1,900,000	0
VPI&SU	Biotechnology Center	3,158,314	6,512,962
Longwood	Science Building	14,153,000	0

<u>Agency</u>	<u>Project</u>	<u>FY 2001</u>	<u>FY 2002</u>
UVa. At Wise	Classrooms and Technology Center	2,500,000	0
Southwest Va. CC	Learning Resource Building	6,815,000	0
Central Va. CC	Manufacturing Technology Building	4,545,000	0
New River CC	Occup. & Technical Equipment	522,500	522,500
Southside Va. CC	Occup. & Technical Equipment	16,000	16,000
Paul D. Camp CC	Occup. & Technical Equipment	55,500	55,500
Danville CC	Occup. & Technical Equipment	585,500	585,500
Patrick Henry CC	Occup. & Technical Equipment	160,000	160,000
Va. Western CC	Occup. & Technical Equipment	551,500	551,500
Wytheville CC	Occup. & Technical Equipment	330,500	330,500
Central Va. CC	Occup. & Technical Equipment	435,500	435,500
Southwest Va. CC	Occup. & Technical Equipment	684,500	684,500
Va. Highlands CC	Occup. & Technical Equipment	329,000	329,000
Mountain Empire CC	Occup. & Technical Equipment	169,500	169,500
Radford	Technology Education	2,190,405	3,194,904
Dept. of Conservation	Hemlock Haven Conference Center & Lake Enhancement at Hungry Mother State Park	3,231,000	
Mus. of Natural History	Museum Facility	<u>8,000,000</u>	<u>5,173,000</u>
Total		50,332,719	18,720,866

The introduced budget also includes \$12.9 million NGF the first year and \$15.8 million NGF the second year for the Virginia Tobacco Settlement Fund, for the purpose of reducing and preventing tobacco use by minors.

• **Compensation Supplements**

- **November 25, 2000 Salary Increase.** Recommends \$33.5 million GF the first year and \$60.8 million the second year to provide a 2.4 percent salary increase for state employees on November 25, 2000 and state-supported local employees on December 1, 2000. The difference in effective dates is the results from implementation of lag pay.

As proposed, the salary increase would be paid to employees with performance ratings of "meets expectations" or better. An additional \$44.3 million GF is budgeted directly to the institutions of higher education as the cost of merit-based increases for faculty.

- **Classified Pay Plan Reform.** Recommends \$1.2 million GF the first year and \$0.8 million GF the second year for up-front administrative costs associated with reform of the classified employees' pay plan.

- **Technical Adjustments for VRS Contributions.** Provides \$36.8 million GF the first year and \$38.5 million GF the second year for increases in VRS rates. This increase is due to (1) miscellaneous actuarial adjustments; (2) completion of the five-year phase-in of pre-funding for annual cost-of-living adjustments (COLAs); and, (3) implementation of the Virginia Law Enforcement Officers Retirement System (VaLORS).
- **Technical Adjustments for VRS Retiree Health Insurance Credit Rates.** Recommends an additional \$29.2 million GF the first year and \$30.5 million GF the second year for increases in VRS rates for the Retiree Health Insurance Credit. This increase is the net result of (1) miscellaneous actuarial adjustments, (2) legislative action to increase the credit from \$2.50 per year a service to \$4.00 per year of service, and (3) pre-funding of the credit.
- **Revert Pre-funding of Health Insurance Credit.** Proposes reversion of \$9.8 million GF the first year and \$8.2 million GF the second year to alter a proposed pre-funding the VRS Retiree Health Insurance Credit. The introduced budget anticipates a phase-in of pre-funding for these credits in the second year of the biennium, rather than full pre-funding in each year.
- **Technical Adjustments for Group Life Insurance Premiums.** Provides an additional \$18.3 million GF the first year and \$19.0 million GF the second year to fully fund the VRS-approved premiums for the group life insurance program. The VRS actuary has recommended premium rates of 0.80 percent of salary for both years.
- **Deferred Compensation Match**
 - **Deferred Compensation Match.** Proposes funding of \$11.1 million GF the first year and \$11.1 million GF the second year for the matching deferred compensation program. This level of funding will provide a maximum match of \$10 per pay period.
- **Reversion Clearing Account**
 - **Productivity Savings.** Projects agency savings of \$91.7 million GF for the biennium from unspecified productivity improvements. Although not captured until the second year, these savings are calculated as 1 percent of non-exempted personal service and 2 percent of non-exempted non-personal service each year for Executive Branch agencies.

Exempted personal service amounts includes adult and juvenile correctional officers, mental health direct care positions, and all

higher education staff. Exempted non-personal service includes aid to localities, continuous charges, and all of higher education.

- **Automobile Liability Premium Holiday.** Proposes savings of \$1.2 million each year by eliminating Automobile Liability insurance premium contributions during the 2000-2002 biennium due to large reserves in the fund.
- **Performance Indemnity Bond Premium Holiday.** Recommends savings of \$1.2 million GF each year by eliminating Performance Indemnity Bond premium contributions during the 2000-2002 biennium due to large reserves in the fund.

- **Economic Contingency**

- **Deal Closing Fund.** Provides \$30.0 million GF in the first year for the "Deal Closing Fund," which may be used by the Governor for a variety of purposes to further economic development efforts. These activities are targeted to attract new industry to Virginia and to assist existing companies expand their employment and capital investment.
- **Motion Picture Opportunity Fund.** Provides \$1.0 million GF each year for the "Motion Picture Opportunity Fund," which is intended to be used by the Governor for a variety of purposes to attract film production to Virginia.
- **Workforce Training Access Fund.** Provides \$250,000 GF in the first year and \$250,000 GF the second year for the "Workforce Training Access Fund ". The fund would be used to guarantee student loans made to individuals enrolled in technology related training.
- **Regional Visitor Centers.** Provides \$6.0 million GF the first year to enter into public-private partnerships to establish a series of regional visitor centers.
- **Economic Contingency Fund.** Proposes an appropriation of \$3.0 million GF the first year for the Economic Contingency Fund. This fund may be used to supplement the appropriations to state agencies in case of an emergency or an unexpected cost increase. In addition to this direct appropriation, language authorizes the Governor to use up to \$1.0 million GF of the unappropriated general fund balance for purposes of economic contingency.

- **Higher Education Desegregation Plan**

- **Higher Education Desegregation Plan.** Continues funding for the Higher Education Desegregation Plan at \$3.8 million GF each year.
- **Legal Defense**
 - **Legal Defense.** Continues funding for Legal Defense at \$50,000 GF each year.
- **Health Insurance Administration**
 - **Employer Premium Increases.** Proposes \$32.3 million GF for the biennium fund a first year premium increase for the employee group health insurance plan.
- **Refunds of Taxes and Fees**
 - **Sum Sufficient.** Proposes a sum sufficient appropriation from which to pay refunds of taxes and fees.