

Central Appropriations

The approved budget for Central Appropriations contain \$1,504 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 allocated to the Tobacco Settlement Fund (\$28.7 million NGF), and the Tobacco Indemnification and Community Revitalization Fund (\$143.5 million NGF).

Finally, the budget contains six appropriation reversions, which together reduce agency budgets by \$112.4 million. These reversions are projected savings from productivity increases (\$91.7 million GF); revision to the VRS contribution rate based on a June 30, 1999 valuation date (\$54.6 million GF); a premium holiday for automobile liability insurance (\$2.4 million GF); savings associated with electric and natural gas deregulation (\$2.3 million GF); 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 approved 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 2000-02 biennium, the phase-in will increase from 47.5 percent of assessed value to 100 percent of assessed value.

- **Tobacco Settlement Funds**

The approved budget 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 for the purpose of reducing and preventing tobacco use

by minors. The remaining amounts are included as general fund revenue. The table below outlines the 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 Revitalization Commission (50%) NGF	83.3	64.5	79.1	226.8
Tobacco Settlement Foundation (10%) NGF	16.7	12.9	15.8	45.4
General Fund (40%)	66.6	51.6	63.2	181.4

- **Compensation Supplements**

- **November 25, 2000 Salary Increase.** Approved \$45.3 million GF the first year and \$82.0 million the second year to provide a 3.25 percent salary increase for state employees on November 25, 2000 and state-supported local employees on December 1, 2000. The difference in effective dates results from implementation of lag pay.

As approved, the salary increase would be paid to employees with performance ratings of "meets expectations" or better. An additional \$61.0 million GF is budgeted directly to the institutions of higher education as the cost of merit-based increases for faculty.

- **Classified Pay Plan Reform.** Approved \$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.
- **Tuition and Fee Offset.** Reduces the Compensation Supplement Account by \$8.5 million GF the second year with a corresponding increase from tuition and fees collected from nonresident and

graduate students in institutions of higher education. This adjustment reflects the intent that nonresident and graduate students share a portion of the cost of employee salary increases.

- **Turnover and Vacancy Savings.** Reduces the Department of Juvenile Justice base budget by \$0.5 million GF the first year and \$1.5 million GF the second year to capture amounts overbudgeted due to turnover of individuals who received the one-time four step salary adjustment in FY 2000.
- **Turnover and Vacancy Savings.** Reduces the Department of Corrections base budget by \$1.1 million GF the first year and \$3.1 million GF the second year to capture amounts overbudgeted due to turnover of individuals who received the one-time four step salary adjustment in FY 2000.
- **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).
- **Annual Valuation for VRS Contributions.** Captures savings of \$26.6 million GF the first year and \$28 million GF the second year from agency budgets based on lower than anticipated employer contribution rates resulting from an annual VRS valuation study required in the budget.
- **Technical Adjustments for VRS Retiree Health Insurance Credit Rates.** Approved a net increase of \$19.4 million GF the first year and \$22.53 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 of service to \$4.00 per year of service, and (3) phased pre-funding of the credit. (Includes a reversion of \$9.8 million GF the first year and \$8.2 million GF in the second year to move from full prefunding to phased prefunding.)
- **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.*** Provides funding of \$14.1 million GF the first year and \$14.1 million GF the second year for the matching deferred compensation program. This level of funding will provide a maximum match of \$20 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 include 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.*** Approved savings of \$1.2 million each year by eliminating Automobile Liability insurance premium contributions during the 2000-02 biennium, due to large reserves in the fund.
 - ***Performance Indemnity Bond Premium Holiday.*** Approves savings of \$1.2 million GF each year by eliminating Performance Indemnity Bond premium contributions during the 2000-02 biennium, due to large reserves in the fund.
 - ***Utility Deregulation Savings.*** Reduces agency appropriations by \$750,000 GF the first year and \$1.5 million GF the second year as a result of anticipated savings from deregulation of the natural gas and electric utilities.

- **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 the first year to be used as incentive funding to partner with a film company to produce two Civil War movies in Virginia. Any funds not used in the first year will carry forward in the second year to 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 each year for the "Workforce Training Access Fund." The fund would be used to guarantee student loans made to individuals enrolled in technology related training.
- **Technology Grants for Local and Regional Visitor Centers.** Provides \$1.5 million GF the second year to provide technology grants to the 42 local/regional visitor centers. The grants will be used for the purchase of hardware, software and Internet connection to link these centers to the Tourism Corporation "home page."
- **Economic Contingency Fund.** Provides an appropriation of \$1.0 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 \$2.0 million GF of the unappropriated general fund balance for purposes of economic contingency.
- **Economic Development Grants.** Provides \$1.0 million GF the second year to implement the provisions of HB 1268 providing for economic development grants to localities to assist with the cost of infrastructure.
- **Commonwealth Health Research Fund.** Approved \$2.5 million GF each year for the Commonwealth Health Research Fund. Earnings from the fund support grants for human health research.
- **Commonwealth Technology Research Fund.** Approved \$13.0 million GF and \$13.0 million NGF for a competitive research grant program for institutions of higher education. Funding will be used to match federal and private research dollars.
- **Textile Workers Temporary Health Benefits Program.** Provides \$5.5 million GF the first year for the purpose of providing health insurance benefits to certain unemployed textile workers and their dependents located in and around the West Piedmont Planning District. The Department of Medical Assistance Services will be responsible for development and implementation of the program in

cooperation with the Virginia Employment Commission, which will be responsible for enrolling eligible displaced workers in the program.

Coverage commences on June 1, 2000, and continues through May 31, 2001, unless such displaced worker obtains full-time employment prior to that date. HB 29 contains an additional \$1.5 million GF for this program.

- **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.*** Approved \$32.3 million GF for the biennium to fund a first year premium increase for the employee group health insurance plan.
- **Refunds of Taxes and Fees**
 - ***Sum Sufficient.*** Provides a sum sufficient appropriation from which to pay refunds of taxes and fees.