

# Central Appropriations

The Governor's recommendations for the Central Appropriations result in a net increase of \$598.2 million GF and \$620.1 NGF for the biennium.

General fund increases total \$626.9 million, of which \$460.6 million GF comes from proposed securitization of the state's 40 percent share of the Tobacco Master Settlement Agreement. These funds are used to create the Higher Education and Economic Development Fund.

Other proposed increases include \$58.7 million for classified employee compensation and benefits increases. An average classified salary increase of 3.5 percent is recommended for November 25, 2001, at a cost of \$38.3 million GF. Another \$5.1 million GF is provided to assist agencies with implementing pay practices under the new classified pay plan. Finally, \$15.3 million GF is proposed to pay the employer share of health insurance premium increases for FY 2002.

Technical and housekeeping changes to distribute previously approved productivity savings to agency budgets and to transfer Central Appropriations items to the operating areas where they are administered account for another \$106.0 million GF increase.

Proposed general fund decreases in Central Appropriations total \$28.7 million and include:

- (1) \$8.9 million savings from VRS rate reductions;
- (2) \$5.0 million from the Matching Deferred Compensation Program;
- (3) \$5.0 million from the Health Research Fund, which is supplanted with tobacco settlement funds;
- (4) \$2.7 million from the General Assembly's long-term care program for state employees;
- (5) \$1.0 million in funding for economic development grants. Other smaller budget reductions account for an additional \$1.8 million decrease.

Technical and housekeeping changes to transfer central appropriation items to the operating areas where they are administered account for another \$4.2 million GF reduction.

Nongeneral fund increases total \$701.1 million, all of which is attributable to the proposed securitization of tobacco settlement funds. These funds will be used to establish the Tobacco Indemnification and Community Revitalization

Endowment (\$584.3 million NGF) and the Virginia Tobacco Settlement Endowment (\$116.9 million NGF).

Nongeneral fund decreases total \$81.0 million for the biennium, \$65.0 million of which relates to transfer of the Local Choice health insurance program to the Department of Human Resource Management. Other significant nongeneral fund decreases include: (1) revised estimates of Tobacco Master Settlement funds – \$12.5 million, and (2) the transfer of \$8.5 million to higher education institutions for classified employees' first year salary increases. Partially offsetting the nongeneral fund reductions is the \$5.0 million allocation of tobacco settlement dollars to the Commonwealth Health Research Fund.

- **Virginia Plan for Equal Opportunity**

**Transfer to Secretary of Education.** Transfers \$3.9 million GF the second year to the Secretary of Education, where this program will be administered beginning in FY 2002.

- **Reversion Clearing Account**

**Technical Amendment.** Proposes a technical amendment in the amount of \$93.0 million GF the second year to reflect the distribution of productivity savings approved by the 2000 General Assembly to individual agency budgets.

- **Legal Defense**

**Transfer to Economic Contingency.** Transfers \$50,000 GF the second year to the Economic Contingency Account where this program will be administered beginning in FY 2002.

- **Employee Health Insurance Program**

**Employee Health Insurance Rates.** Proposes an increase of \$15.3 million GF the second year for employee health insurance premium increase. On average, rates for employees and employers will increase by approximately 6 percent on July 1, 2001. Co-payments for emergency room visits will increase from \$50 per occurrence to \$75. Additionally, program reserves will be reduced by \$6.0 million.

**Transfer to Department of Human Resource Management.** Transfers \$65.0 million NGF the second year in premium income for the Local Choice Program to the Department of Human Resource Management.

- **Transition Support**

**Transition Support.** Proposes \$250,000 the second year for transition support for the newly elected Governor, Lt. Governor, and Attorney General.

Office of the Governor	\$200,000
Office of the Lt. Governor	\$25,000
Office of the Attorney General	\$25,000

- **Tobacco Settlement**

**Technical Amendment.** Proposes a technical reduction of \$4.7 million NGF the first year and \$7.7 million NGF the second year to reflect a downward revision in the estimate of Tobacco Master Settlement revenues payable to the the Tobacco Indemnification and Community Revitalization Fund and the Virginia Tobacco Settlement Fund.

- **Personal Property Tax Relief Program.** The Department of Motor Vehicles forecasts an increase in the cost of the Personal Property Tax Relief Program of \$26.3 million in FY 2001 and \$33.6 million in FY 2002. The Governor’s amendments do not provide additional funding, but rather propose that the program become a “*sum sufficient*” appropriation.

Proposes language that authorizes the transfer of \$26.3 million GF from the second year appropriation to the first year to ensure that the first year appropriation is sufficient to meet the forecast provided on November 1, 2000.

Proposes language that authorizes the Governor to submit amendments to the 2002 General Assembly to ensure that sufficient funds are appropriated in the second year, based on a revised forecast next November.

Proposes language controlling the disbursement of the sum sufficient appropriation to the conditions in the *Code of Virginia*.

- **Compensation Supplements**

**Classified Employee Compensation.** Proposes funding of \$43.3 million GF the second year for classified employee compensation.

**November 25, 2001 Salary Increase.** Proposes an average salary increase of 3.5 percent for classified employees in the Executive Branch, Legislative Branch, Judicial Branch, Independent Agencies and for agency heads. For classified employees in the executive branch, this increase may vary between 0 percent and 8.75 percent, based on performance.

**New Classified Employee Pay Plan.** Recommends \$5.1 million GF the second year to fund pay practices included in the new classified employee pay plan.

**Technical Amendments.** Recommends three technical amendments totaling \$12.9 million GF the second year to capture from agency budgets reversions that were approved by the 2000 General Assembly.

Over-budgeted DOC personal services	\$3.0 million
Over-budgeted DJJ personal services	\$1.5 million
VRS Savings from K-12	\$8.4 million

**Higher Education Transfer.** Transfers \$8.5 million NGF to the institutions of higher education for support of the FY 2001 classified salary increase.

**State Police Dispatchers.** Transfers \$300,000 GF to the Department of State Police to support the salary increase for dispatchers that was approved in Chapter 1073.

**VRS Savings.** Captures savings of \$8.9 million GF the second year from state agency budgets based on lower retirement rates for classified state employees. The rate reduction was based on an updated annual VRS valuation using assets and liabilities as of June 30, 2000. A language amendment provides that the higher rates needed to fully fund the VaLORS Retirement System will be phased in over a five-year period.

- **Economic Contingency**

**Economic Contingency.** Provides an additional \$1.3 million GF the first year for unbudgeted expenditures.

**Legal Defense.** Transfers \$50,000 GF the second year from Legal Defense to the Economic Contingency Account where this program will be administered beginning in FY 2002.

- **Deferred Compensation Match**

**Deferred Compensation Match.** Reduces the appropriation for the matching deferred compensation program by \$1.4 million GF the first year and \$3.6 the second year to reflect actual employee participation in the program.

- **Executive Management**

**Economic Development Grant Payments Program.** Eliminates \$1.0 million GF provided in the second year pursuant to House Bill 1268

for local economic development grants to assist with infrastructure-related costs, such as construction of schools and roads.

**Economic Development Project for the City of Salem.** Strikes language authorizing a loan from the Governor's Development Opportunity Fund to help the City of Salem assist a major employer to expand its plant operations. The project is not active.

**Long-term Care Program.** Eliminates funding of \$900,000 GF the first year and \$1.8 million GF the second year for the long-term care program approved by the 2000 General Assembly. A corresponding language amendment under the Secretary of Administration authorizes a feasibility study of implementing a long-term care program for state employees.

**Commonwealth Health Research Fund.** Supplants \$2.5 million GF support in the second year with \$2.5 million NGF from the Tobacco Master Settlement.

**Other Reductions.** Reduces agency budgets by \$1.8 million GF the second year through three reversions.

Service Bureaus for Shipping & Payroll	\$875,000
Renegotiate Dominion Va. Power Contract	\$400,000
Centralized Airline Ticket Purchasing	\$500,000