

Central Appropriations

The Governor's FY 2002 recommendations for the Central Appropriations result in a net decrease of \$223.1 million GF.

General fund increases total \$27.0 million, of which \$19.5 million GF is a technical adjustment to reflect productivity savings that were achieved through revenue actions rather than spending reductions. The only other proposed increase is \$7.5 million for anti-terrorism initiatives.

Proposed general fund decreases in Central Appropriations total \$250.1 million and include:

- (1) \$73.3 million savings from VRS rate reductions;
- (2) \$70.4 million from the agency budget reductions included in Executive Order 74 as shown below;
- (3) \$5.0 million from the Health Research Fund, which is supplanted with tobacco settlement funds;
- (4) \$57.2 million from an additional 2 percent reduction applied to agencies in the Executive branch;
- (5) \$46.0 million in accounting adjustments to reflect continuing the Car Tax relief program at 70 percent. The actual savings from freezing car tax payments at 70 percent is \$13.5 million in FY 2002. The remaining \$32.5 million was applied toward unbudgeted costs in FY 2001.

- **Reversion Clearing Account**

- **Technical Amendment.** Proposes a technical amendment in the amount of \$19.5 million GF to reduce the productivity savings total because a like amount was achieved through revenue increases rather than appropriation reductions.

- **Executive Management**

- **Executive Order 74 Reductions.** Captures \$70.4 in appropriation reductions from Executive Branch agencies. A table describing these reductions is included in the appendix.

- **Across-the-Board Reductions**
 - ***Executive Branch 2 Percent Reductions.*** Captures \$57.2 from 2 percent appropriation reductions from Executive Branch agencies. The exact nature of the reductions is not specified. Numerous exemptions have been granted, however, including: law enforcement, statutory salaries, direct aid to public education, and debt service.
- **Anti-Terrorism Account**
 - ***Anti-Terrorism Initiatives.*** Provides \$7.5 million GF in a new contingency account to pay for the cost of unspecified anti-terrorism initiatives.
- **Tobacco Settlement**
 - ***Balance Transfers and Enforcement Funding.*** Language amendment proposes to transfer \$15.5 million NGF from balances in the Virginia Tobacco Settlement Foundation to the general fund. A portion of this funding, \$43,000, will be used to fund the Foundation’s share of enforcement activities provided by the Office of the Attorney General and the Department of Taxation. In addition, language directs the transfer of \$215,000 from the Tobacco Indemnification and Community Revitalization Fund for enforcement activities provided by the Attorney General’s Office and the Department of Taxation.
- **Personal Property Tax Relief Program**
 - ***Car Tax Relief at 70 Percent.*** The Governor’s amendments propose to keep the Car Tax Relief program at 70 percent for the remainder of FY 2002 and include language that would make the program a “sum sufficient” appropriation. Language also is proposed that authorizes the Director of Planning and Budget to make adjustments in the accounting and budgeting system to reflect the application of \$32.5 million of the FY 2002 appropriation to FY 2001 program costs.
- **Compensation Supplements**
 - ***June 30, 2000 VRS Savings.*** Proposes to apply the results of the June 30, 2001 actuarial valuation to FY 2002, for a savings of \$7.4 million. Since these rates were not originally intended to be

applied until July 1, 2002, an increase of 17 basis points is included in each year of the 2002-04 biennium.

- ***FY 2002 VRS Savings.*** Captures savings of \$65.9 million GF related to lower retirement rates for classified state employees and teachers approved by the VRS Board of Trustees in November of 2000. Of this amount, \$8.9 million comes from savings for state classified employees and \$56.0 million represents savings in teacher retirement costs in the SOQ funding formula. The rate reduction is based on an updated annual VRS valuation using assets and liabilities as of June 30, 2000. The lower rates went into effect on July 1, 2001.
- ***Long-term Care Program.*** Strikes the requirement for providing long-term care benefits under the Virginia Sickness and Disability Program. A language amendment under the Secretary of Administration authorizes a feasibility study of implementing a long-term care program for state employees.
- **Economic Contingency**
 - ***Technology Research Fund.*** Proposes to reduce the FY 2002 appropriation for the Commonwealth Technology Research Fund from \$13.0 million to \$9.7 million GF, a reduction of \$3.3 million.