

# Central Appropriations

Central Appropriations serves as a holding account for contingent funds, for unallocated cost increases and decreases, Compensation Supplements, and for the Personal Property Tax Relief appropriation.

Major amounts include: \$63.4 million GF the first year for a 2.5 percent bonus on August 30, 2002 for state employees and higher education faculty, and \$101.4 million GF in the second year for a December 2003 compensation increase for state employees, higher education faculty, state-supported local employees, and public school teachers. In addition, the approved budget contains \$82.6 million GF for the employer's share of the increased cost of the state employee health insurance program. Finally, the approved budget includes \$17.5 million GF for the Governor's discretionary economic development "Deal Closing Fund," along with \$3.5 million NGF representing interest earned on the Closing Fund's balance, and \$1,667.1 million for the Personal Property Tax Relief program.

Nongeneral fund appropriations of \$166.7 million are included from Tobacco Settlement funds for activities of the Tobacco Settlement Foundation and the Tobacco Indemnification and Community Revitalization Commission.

Central Appropriations also contains a number of appropriation reversions that capture savings from agency budgets. These reversions include undistributed across-the-board reductions of \$47.0 million GF (most of which can be apportioned to Health and Human Resources agencies through a 4 percent cut); a \$52.7 million GF savings from a reduction in VRS employer contribution rates; and a \$45.8 million GF credit against VRS employer contribution rates for the resolution of unclaimed, or dormant, retirement accounts.

- **Compensation Supplements**

- ***2.5 Percent State Classified and Higher Education Faculty Bonus – August 30, 2002.*** Provides \$63.4 million GF the first year for a 2.5 percent bonus in the August 30, 2002 pay for classified state employees and an equivalent increase for higher education faculty. Employees, other than Public Safety employees, have the option of receiving: (1) the entire 2.5 percent bonus payment, (2) 10 days of compensatory time off with pay, or (3) a combination of bonus and paid compensatory time off. Bonus payments are to be calculated from the employee's base salary and will be included in the August 30<sup>th</sup> pay check.

- **December 2003 Compensation Reserve.** Provides \$101.4 million GF the second year in a reserve to be used for a December 2003 compensation increase for state employees, higher education faculty, state-supported local employees, and public school teachers. The approved compensation reserve is sufficient to provide a 2.75 percent salary increase in December 2003 to each of the employee groups mentioned above.
- **Technical Adjustment: Virginia Sickness and Disability Program.** Provides an additional \$5.9 million GF the first year and \$6.2 million GF the second year for increases in VRS rates for the Virginia Sickness and Disability Program.
- **Technical Adjustment: Retiree Health Insurance Credit Rates.** Provides an additional \$3.8 million GF the first year and \$3.9 million GF the second year for increases in VRS rates for the retiree health insurance credit.
- **Technical Adjustment: Group Life Insurance Premiums.** Provides an additional \$4.2 million GF the first year and \$4.4 million GF the second year to fully fund the VRS-approved premiums for the group life insurance program.
- **Virginia Sickness and Disability Program Savings.** Captures savings of \$3.9 million GF the first year and \$4.1 million GF the second year from a reduction in employer contribution rates. Related budget language in Part 3 of the Act transfers savings of \$1.7 million NGF the first year and \$1.8 million NGF the second year to the general fund.
- **Retiree Health Insurance Credit Program Savings.** Captures savings of \$8.7 million GF the first year and \$9.1 million GF the second year from a reduction in employer contribution rates for the state employee retiree health insurance credit. Budget language in Part 3 of the Act transfers savings of \$3.7 million NGF the first year and \$3.9 million NGF the second year to the general fund.
- **Group Life Insurance Program Savings.** Contains savings of \$17.8 million GF the first year and \$18.5 million GF the second year from a “premium holiday” for employer contributions to the group life insurance program. Budget language in Part 3 of the Act transfers savings of \$11.8 million NGF the first year and \$12.3 million NGF the second year to the general fund.

- ***VRS Administrative Cost Savings.*** Includes savings of \$563,662 GF the first year and \$644,185 GF the second year representing a 7 percent and 8 percent reduction in VRS administrative expenses. Budget language in Part 3 of the Act transfers \$563,662 NGF the first year and \$644,185 NGF the second year to the general fund as the nongeneral fund share of administrative savings.
- ***State Agency VRS Payments.*** Requires that state agencies and higher education institutions provide payments to VRS quarterly instead of monthly for the retirement, sickness and disability, and retiree health care credit programs. The adopted budget assumes additional general fund interest earning from this action.
- **Employee Health Insurance Administration**
  - ***Employer Health Insurance Premium Increases.*** Provides \$41.6 million GF the first year and \$41.0 million GF the second year to fund the employer’s share of the increase in health insurance premiums effective July 1, 2002. On average, employee premiums will increase by approximately 11 percent over current FY 2002 levels.
  - ***Commission on Health Benefits Reform.*** Budget language establishes a Commission on Health Benefits Reform to review the current state employee health insurance plan and recommend changes to meet state workforce needs. The Commission is required to complete its review by October 1, 2002.
- **Executive Management Actions**
  - ***Workforce Transition Benefits.*** Provides \$1.7 million GF the first year and \$4.0 million GF the second year for Workforce Transition Act severance benefits to affected state employees.
  - ***Commission on Efficiency and Effectiveness.*** Captures anticipated savings of \$1.3 million GF the first year and \$5.0 million GF the second year from proceedings of the Governor’s Commission on Efficiency and Effectiveness. In addition, language directs that the Commission specifically review the activities and programs of the Virginia Liaison Office, the Commission on Local Government, and the Commonwealth Competition Council.
- **Deferred Compensation Program**

- ***Deferred Compensation Cash Match Program.*** Restores budget language governing administration of the state employee deferred compensation cash match program.
- **Reversion Clearing Accounts**
  - ***VRS Employer Rate Reductions.*** Captures savings of \$25.8 million GF the first year and \$26.9 million GF the second year from reductions in retirement contribution rates. This reduction results from (1) funding the VRS’ actuarially derived retirement contribution rates (rather than the higher Board approved rates); and (2) a 0.17 percent additional cost incurred because a lower rate was budgeted in FY 2002 than anticipated by the Board.
  - ***Unclaimed VRS Retirement Accounts.*** Captures savings of \$45.8 million GF the first year by taking a credit against state agencies’ retirement contributions due to a projected reduction in the pension fund’s liabilities from resolution of unclaimed or dormant retirement accounts. Budget language in Part 3 transfers \$54.3 million NGF savings to the general fund.
  - ***Funding At-Will Positions.*** Captures savings of \$3.9 million GF from the elimination of 26 “at-will” policy assistant positions and funding for the remaining “at-will” chief deputy positions. Budget language in Part 3 transfers \$1.7 million NGF for the biennium to the general fund.
  - ***Qualifications for At-Will Positions.*** Budget language requires that position descriptions for all “at will” chief deputy positions be developed and that any individual appointed as a chief deputy meet the qualifications established for the position.
- **Across-the-Board Reductions**
  - ***Executive Branch 7 and 8 Percent Reductions.*** Captures \$22.8 million GF the first year and \$24.3 million GF the second year from 7 percent first year reductions and 8 percent second year reductions from Executive Branch agencies. The remaining reductions totaling \$184.7 million GF the first year and \$214.8 million GF the second year are assessed directly against the affected agencies.
  - ***Legislative Branch Reductions.*** Includes savings of \$1.3 million GF in the first year and \$1.3 million GF the second year from reductions in legislative agency budgets.

- ***Other Higher Education Budget Reductions.*** Captures savings of \$20.7 million GF for the biennium from reductions for higher education agencies other than the 17 public colleges and universities that have the reductions applied directly to their operations.
- **Higher Education Tuition Policy**
  - ***College Tuition and Fee Plan Savings.*** The approved tuition and fee policy for 2002-04 is contained in language under the Secretary of Education. Anticipated offsets to budget cuts from the modified tuition and fee policy are transferred from Central Appropriations directly to each institution of higher education. This topic is discussed more fully in the section devoted to higher education.
- **Personal Property Tax Relief**
  - ***Personal Property Tax Relief.*** Includes funding for car tax relief at 70 percent in tax years 2003 and 2004, yielding a savings of \$118.8 million GF the second year from the introduced budget, which assumed 100 percent funding in calendar year 2004. Program costs are estimated at \$819.2 million GF in FY 2003 and \$847.9 million GF in FY 2004.
- **Tobacco Settlement**
  - ***Tobacco Settlement and Revitalization Fund.*** Provides \$73.8 million NGF the first year and \$64.9 million NGF the second year for the Tobacco Indemnification and Community Revitalization Fund. This fund provides compensation to farmers for tobacco losses and supports revitalization projects in tobacco dependent communities.
  - ***Virginia Tobacco Settlement Fund.*** Provides \$14.8 million NGF the first year and \$12.9 million GF the second year for activities of the Virginia Tobacco Settlement Foundation.
- **Economic Contingency**
  - ***Economic Contingency Fund.*** Provides \$3.0 million GF the first year and \$1.5 million GF the second year for the Governor to use for unbudgeted or unanticipated emergencies or expenses. In addition, the Governor may use up to \$2.0 million from the unappropriated general fund balance.

- ***Student Financial Aid.*** Provides \$2.0 million GF the first year for need-based financial aid to meet increased educational costs.
- ***Governor’s Development Opportunity Fund.*** Includes \$10 million GF and \$1.9 million NGF the first year and \$7.5 million GF and \$1.6 million NGF the second year for the Governor’s Development Opportunity Fund. The GF amounts are \$12.5 million less than provided in the 2000-02 biennium. The NGF amounts represent prior-year interest earned from the Fund’s balances.
- ***Technology Research Fund.*** Reduces funding for the Technology Research Fund by \$0.5 million GF the first year, resulting in an appropriation of \$8.5 million GF the first year and \$7.7 million GF the second year.
- ***Virginia Equine Center Foundation.*** Includes \$1.3 million GF the first year to the Virginia Equine Center Foundation for debt service payments.
- ***Legal Defense.*** Provides \$50,000 GF each year for legal defense that was previously budgeted as a separate item in Central Appropriations.