

Central Appropriations

The Governor's recommendations for the Central Appropriations result in a net increase of \$82.0 million GF and \$3.8 million NGF for the biennium.

General fund increases total \$196.2 million, and include \$127.6 million for the increased cost of personal property tax relief. Other proposed increases include \$15.1 million GF to pay the employer share of health insurance premium increases for FY 2004; \$3.8 million GF to restore funding for at-will position savings; \$1.5 million GF to provide funding for the indemnification of poultry growers; and, \$4.6 million GF the second year for unbudgeted cost increases and operation of the new Veteran's Cemetery.

Technical amendments distribute to agency budgets \$34.8 million in previously approved reductions contained in Chapter 899. In addition, transfers of Central Appropriations items to the operating areas where they are administered account for another \$8.9 million of the general fund increase.

Proposed general fund decreases in Central Appropriations total \$114.2 million and include:

- \$101.4 million from the December 2003 compensation reserve;
- \$3.5 million from reduced rent plan expenditures in state-owned space operated by DGS;
- \$4.7 million from excess Workforce Transition Act funding;
- \$2.0 million for student financial aid;
- \$2.6 million from reductions to the VRS administrative budget;

Nongeneral fund increases of \$3.8 million are proposed for a technical adjustment to the appropriation of the Tobacco Indemnification and Community Revitalization Fund and the Virginia Tobacco Settlement Fund to account for a projected increase in payments.

- **Compensation Supplements**

- ***Eliminate December 2003 Compensation Reserve.*** Proposes eliminating the \$101.4 million GF established as a compensation reserve to provide for a December 2003 salary increase for state employees, higher education faculty, state-supported local employees, and public school teachers. The compensation reserve

was sufficient to provide a 2.75 percent salary increase in December 2003 to each of the employee groups mentioned above.

- **VRS Administrative Cost Savings.** Proposes savings of \$2.6 million GF from a first year reduction of 7.5 percent and second year reduction of 15 percent to the VRS administrative budget. The savings will be captured entirely in the second year from a reduction in the VRS employer contribution rates. Budget language in Part 3 of the Act transfers \$2.9 million NGF the second year to the general fund as the nongeneral fund share of the administrative savings.

- **Employee Health Insurance Administration**

- **Employer Health Insurance Premium Increases.** Provides \$15.1 million GF the second year to fund the employer's share of the increase in health insurance premiums effective July 1, 2003. A number of proposed changes have been identified that will change the structure of benefits and the cost to employees. These changes include:

1) Restructure Key Advantage and Cost Alliance Plans: The proposed changes to the state's self-insured health benefits program will combine the existing Key Advantage and Cost Alliance Plans into a single self-insured plan available statewide.

2) Three-tiered Prescription Drug Program: Effective July 1, 2003, it is proposed that a three-tiered program replace the current single-tiered prescription drug program. Co-payment amounts are \$15 for generic brands, \$20 for mid-cost brands, and \$35 for high cost brands.

3) Reductions in Key Advantage Employee Premiums: Through the proposed plan, employees who currently have coverage through Key Advantage will experience reductions in their monthly premiums. For example, employees under Key Advantage currently pay \$240 per month for family coverage. It is anticipated that the premium for family coverage will be reduced by more than 40 percent.

4) Provides Additional Coverage Options: The proposed plan changes will provide wellness benefits in the base benefits at no additional cost to employees. Other benefits, such as out-of-network coverage, expanded dental, and hearing and vision

benefits will be available to employees as optional coverage. Employees will pay the cost of the optional benefits.

- **Executive Management Actions**

- ***Workforce Transition Benefit Savings.*** A proposed amendment captures excess funds provided to fund severance benefits that were anticipated to be needed due to the closure of selected correctional facilities. Available savings include \$700,000 GF the first year and \$4.0 million GF the second year.
- ***Commission on Efficiency and Effectiveness.*** Proposes to offset expected savings from the results of the study by the Governor’s Commission on Efficiency and Effectiveness in the amount of \$1.3 million GF the first year and \$5.0 million GF the second year.

- **Reversion Clearing Accounts**

- ***Restore Funding For At-Will Positions.*** A proposed amendment restores \$1.9 million GF the first year and \$1.9 million GF the second year for at-will positions eliminated in House Bill 30 and subsequently vetoed by the Governor.
- ***Rent Plan Savings.*** Proposes to capture savings of \$3.5 million GF resulting from reductions in services such as trash pickup and routine maintenance provided to agencies in state-owned buildings operated by the Department of General Services.

- **Across-the-Board Reductions**

- ***Technical Adjustment: Across-the-Board Reductions.*** Proposes to distribute to appropriate executive branch agencies and higher education agencies the across-the-board reductions included in Central Appropriations in Chapter 899. Offsetting reductions are found in each applicable agency totaling \$34.8 million GF in the second year.
- ***Technical Adjustment: Legislative Branch Reductions.*** Proposes to distribute reductions of \$1.3 million GF the first year and \$1.3 million GF the second year approved in Chapter 899 to the Legislative Reversion Clearing Account.

- **Personal Property Tax Relief**

- ***Personal Property Tax Relief.*** Proposes an amendment to provide \$54.8 million GF the first year and \$72.8 million GF the second year to continue car tax reimbursement at the 70 percent level.
- **Economic Contingency**
 - ***Economic Contingency Fund.*** Proposes to provide \$1.2 million GF the first year and \$2.0 million GF the second year for the Governor to use for unbudgeted cost increases and Workforce Transition Act payments.
 - ***Student Financial Aid Funding.*** Proposes to eliminate \$2.0 million GF in unallocated funds for student financial aid in the first year.
 - ***Poultry Growers’ Indemnification.*** Proposes to provide \$1.5 million GF the second year to poultry growers for indemnification of losses for the avian influenza outbreak that occurred in the spring of 2002.
 - ***New Veterans’ Care Cemetery.*** Proposes \$175,504 GF the second year for the operational cost of the new Veterans’ Care cemetery in Suffolk.
 - ***National Memorial to the Veterans of World War II.*** A proposed language amendment would authorize the Governor to provide up to \$340,000 GF in the first year from the unappropriated balance to fund the Commonwealth’s share of the construction costs for the national memorial to veterans of World War II. The General Assembly had previously appropriated these funds in Chapter 1073 and Chapter 814; however, they were administratively withheld from expenditure.