

Central Appropriations

The Governor's recommendations for the Central Appropriations result in a net increase of \$19.9 million GF for the biennium.

Net general fund increases total \$105.9 million, and include \$24.0 million to assist localities with the transition costs associated with the capped personal property tax relief program. Other proposed increases include \$31.2 million GF to pay the employer share of state employee health insurance premium increases for FY 2006; \$2.0 million GF to provide additional funding for Semiconductor Education Grants; \$2.0 million GF for the Governor's Development Opportunity Fund; \$1.6 million GF for the Biotechnology Commercialization Loan Fund; \$1.5 million GF for enhancement of post-secondary education opportunities in Southside Virginia; \$1.1 million GF for evaluation of information technology proposals under the Public-Private Education Facilities and Infrastructure Act (PPEA); \$0.6 million GF for telecommunications rates for state agencies, and \$0.6 million GF for transition support.

Proposed general fund decreases in Central Appropriations of \$59.3 million GF reflect technical adjustments needed to continue car tax reimbursement at the 70 percent level.

- **Compensation Supplements**

- ***Employee Salaries.*** A total of \$107.8 million GF is proposed for a 3.0 percent salary increase in the second year for state classified employees, faculty, state-supported local employees and local teachers. This is an increase of \$81.2 million GF above the \$26.6 million GF compensation reserves set aside by the General Assembly at the 2004 session. Of this amount, a net increase of \$14.7 million is recommended for the Central Appropriations and \$66.5 million GF is included in the budget for the Department of Education and the colleges and universities for local teachers and higher education faculty, respectively.
 - **Classified Employees.** Proposes \$28.5 million GF for a 3.0 percent salary increase on November 25, 2005 for state classified employees. These funds are budgeted to the Central Appropriations.
 - **State-supported Local Employees.** Recommends \$12.8 million GF for a 3.0 percent salary increase on December 1,

2005 for state state-supported local employees. These funds are budgeted to the Central Appropriations.

- **Faculty.** Recommends \$11.7 million GF for an average 3.0 percent salary increase on December 1, 2005 for faculty. These funds are budgeted to the various institutions of higher education.
- **Local Teachers.** Proposes \$54.8 million GF for a 3.0 percent salary increase on December 1, 2005 for local employees teachers. These funds are budgeted to the Department of Education.

- **Employee Health Insurance Administration**

- *Employer Health Insurance Premium Increases.* Provides \$31.2 million GF the second year to fund the employer's share of the increase in health insurance premiums effective July 1, 2005. There are no proposed changes to the structure of benefits.

- **Transition Support**

- *Transition Support.* Proposes \$546,900 the second year for transition support for the newly elected Governor, Lt. Governor, and Attorney General.

Office of the Governor	\$283,000
Office of the Lt. Governor	\$21,500
Office of the Attorney General	\$99,000
Department of General Services	\$143,400

- **Personal Property Tax Relief**

- *Personal Property Tax Relief Forecast Adjustment.* Includes a reduction of \$57.8 million GF the first year and \$1.5 million GF the second year to reflect the revised forecast of car tax reimbursements at the 70 percent level. This reduction reflects the carry forward of \$21.0 million remaining from the FY 2004 appropriation combined with a reduction in FY 2005 projected reimbursements of \$36.7 million. The reduced forecast is attributable primarily to lower than anticipated growth in new and used vehicle values.
- *Personal Property Tax Relief Transition Funding.* Recommends \$24.0 million GF the second year to address reimbursement costs of delinquent personal property tax bills that are paid during calendar

year 2006. This amount was estimated based on historical collection patterns for delinquent payments, combined with the assumption that localities will be more aggressive in pursuing delinquent payments. Because reimbursement eligibility for prior year taxes due will expire on September 1, 2006 as the PPTRA program transfers to a capped reimbursement program, it is anticipated the number of delinquent accounts paid will increase.

- ***Personal Property Tax Relief Transition Language.*** Recommends a series of language amendments to ease transition to the requirements of the PPTRA adopted by the 2004 General Assembly. These changes were designed to address concerns expressed by local officials. The individual changes are summarized below:
 1. Changes the “lookback” year upon which the allocation of tax year 2006 reimbursements are made from tax year 2005 to tax year 2004. This shift is intended to ensure that all localities are able to work through a full collection cycle prior to the March 1, 2006 deadline.
 2. Includes language stating that the deadline for entitlement to personal property tax relief for tax year 2005 and all prior years expires on September 1, 2006.
 3. Includes language which would provide localities the option of showing on the tax bill the actual dollar amount of relief provided as opposed to showing multiple rates.
 4. Allows for advance payment of amounts due in property tax reimbursement to towns that bill in the spring and utilize cash based accounting.
 5. Provides a statement of legislative intent regarding the timing of paying the localities with spring billing dates. This language is intended to clarify that these localities will be reimbursed for amounts attributable to such spring bill dates not later than August 15 of each year.
- **Economic Contingency**
 - ***Economic Contingency Fund.*** Proposes to provide an additional \$3.0 million GF from the unappropriated balance for the purposes of economic contingency. This recommendation would increase the total available for economic contingency from \$6.4 million GF to

\$9.4 million GF. Language in the Secretary of Commerce and Trade authorizes the Governor to allocate up to \$5.0 million in any fiscal year from the unappropriated balance to address business opportunities of regional significance for which other funding is unavailable.

- ***Governor's Development Opportunity Fund.*** Proposes to provide an additional \$2.0 million GF the first year for the Governor's Development Opportunity Fund, bringing total funding for FY 2005 to \$15.9 million.
- ***Semiconductor Education Grant.*** Recommends \$2.0 million GF the second year for Virginia Commonwealth University's School of Engineering for programs in support of Infineon Technologies, Inc. expansion.
- ***Biotechnology Commercialization Loan Fund.*** Proposes \$100,000 GF the first year and \$1.5 million GF the second year for capitalization of a new Biotechnology Commercialization Loan Fund that will be administered by the Innovative Technology Authority.
- ***Post-secondary Education in Southside Virginia.*** Recommends \$1.5 million GF the second year for enhancement of post-secondary education in Southside Virginia, in cooperation with the Harvest Foundation.
- ***Telecommunications Rate Increase.*** Provides \$223,297 GF the first year and \$334,945 GF the second year to correct an error in estimated telecommunications rates for state agencies.
- ***Review of PPEA proposal for Information Technology.*** Recommends \$232,230 GF the first year and \$928,920 GF the second year for review of the information technology portions of multi-agency proposals received under the Public-Private Education Facilities and Infrastructure Act (PPEA).