

Central Appropriations

The Governor's recommendations for the Central Appropriations result in a net increase of \$27.4 million GF for the biennium.

Net general fund increases total \$62.3 million, and include \$12.7 million to pay institutions of higher education the interest earned and rebates on charge card purchases. Other proposed increases include \$12.0 million to attract a major research organization to the Harrisonburg area; \$9.8 million pay the employer share of state employee health insurance premium increases for FY 2008; \$10.1 million GF for the employer share of benefit rate increases required to cover the costs of actuarially established rates for health insurance for early retirees, and disability coverage, group life insurance and the health care credit for other retirees. This item represents the first installment of a five-year program to phase in the rates required by changes in the Governmental Accounting Board's financial reporting requirements.

An additional \$5.0 million GF is proposed for the Governor's Development Opportunity Fund; \$2.5 million GF for the Governor's Economic Contingency Fund; \$1.8 million GF to provide additional security at the Jamestown 2007 celebration; \$1.0 million for the Southwest Virginia Technology Development Center; \$713,113 GF to pay the rates for geospatial and base mapping services provided to state agencies by the Virginia Information Technologies Agency; \$650,000 to include additional DCJS block grant employees in the FY 2008 salary increase; and \$200,000 for the Office of the Attorney General to employ outside legal counsel and for enforcement of the 1998 Tobacco Master Settlement Agreement.

Proposed general fund decreases in Central Appropriations reflect technical adjustments proposed to move \$34.9 million GF to the Department of Education - Direct Aid for Public Education and the various institutions of higher education associated with the second year salary increase approved in Chapters 3 and 10, 2006 Special Session I. A technical amendment of \$5.8 million is proposed to move retirement rate savings to Direct Aid for Public Education.

- **Higher Education Interest**

- *Higher Education Interest and Charge Card Rebates.* Recommends \$12.7 million GF in the second year to pay institutions of higher education interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases. A more detailed explanation is included under higher education.

- **Teachers' Group Life Insurance Rate Reduction**

- *Transfer Group Life Insurance Rate Reduction.* Proposes a technical amendment of \$2.9 million GF in the first year and \$2.9 million GF in the second year to move savings from the Central Appropriations to Direct Aid to Public Education. These savings were budgeted in 2006 and result from lower contribution rates for the group life insurance and retiree health care credit programs.

- **Compensation Supplements**

- ***Employee Salaries.*** No changes are proposed to the amounts appropriated for the 3.0 percent FY 2008 salary increases approved by the 2006 General Assembly for state classified employees, state-supported local employees and university faculty.
- ***DCJS Block Grant Employees.*** Proposes \$650,000 to include local community corrections block grant employees funded by the Department of Criminal Justice Services (DCJS) in the FY 2008 3.0 percent salary increase.
- ***Teacher Salaries.*** The Governor's proposed actions would transfer \$22.0 million included in Chapter 3 and 10 under Central Appropriations to Direct Aid and would add an additional \$41.9 million GF, for a total cost of \$63.9 million GF to provide the state share of a 3.0 percent teacher pay raise.
- ***Faculty Salaries.*** Proposes to transfer \$12.9 million GF set aside for a 3.0 percent salary increase on December 1, 2007 for faculty to the institutions of higher education. Separate amendments are proposed to appropriate these funds to the various institutions of higher education.
- ***Employer Health Insurance Premium Increases.*** Provides \$9.8 million GF in the second year to fund the employers' share of the increase in health insurance premiums effective July 1, 2007. This funds a 2.5 percent increase for the current program and a slightly expanded wellness benefit.
- ***Other Post Employment Benefits.*** Provides \$10.1 GF in the second year to fund the first installment of a 5 year phase-in to cover the costs of health insurance for early retirees, and disability coverage, group life insurance and the health care credit for other retirees on an actuarial basis as opposed to the current "pay as you go" basis. GASB has recently issued accounting standards requiring that governments account for these post retirement benefits on an actuarial basis. The proposed budget includes \$6.3 million for the additional health insurance cost of early retirees and \$3.7 million for the OPEB benefits managed through VRS.
- ***VRS Retirement Amortization.*** A proposed language amendment would eliminate the requirement that the calculation of FY 2008 VRS retirement rates be based on an amortization period of 21 years. Current funding is sufficient to support an amortization of 24 years.

- **Economic Contingency**

- ***Economic Contingency Fund.*** Proposes an additional \$2.5 million GF the second year for the purposes of economic contingency. This recommendation would increase the total available for economic contingency from \$2.2 million GF to \$4.7 million GF. In addition to the current appropriation of \$1.1 million GF each year,

the Governor may use up to \$2.0 million from the unappropriated general fund balance, and \$1.0 million GF each year from the Governor's Development Opportunity Fund for these purposes.

- ***Governor's Economic Development Opportunity Fund.*** Proposes \$5.0 million GF in FY 2007, increasing the total appropriation for the Fund to \$20.1 million. The Fund is used by the Governor to attract economic development projects to locate or expand in Virginia.
- ***Southwest Virginia Technology Development Center.*** Proposes \$1.0 million GF in the first year to assist the Russell County Industrial Development Authority to develop the Center in the Town of Lebanon. The Center is to serve as a state-of-the-art workforce training facility for the hundreds of software engineers expected to work for Northrop Grumman and CGI AMS.
- ***Incentive for SRI International.*** Proposes \$12.0 million GF in FY 2008 as an economic development incentive for SRI to locate its East Coast operations to focus initially on biosciences in the Harrisonburg area. The General Assembly appropriated \$3.0 million for the project in the 2006 Appropriation Act.
- ***Jamestown 2007.*** Recommends an additional \$1.8 million GF in the first year for additional security and other costs not currently budgeted associated with the Jamestown 2007 celebration.
- ***Geospatial Information Services Rates.*** Proposes \$713,113 GF in the second year to pay the rates for geospatial and base mapping services provided to state agencies by the Virginia Technologies Information Agency.
- ***Tobacco Settlement Master Agreement.*** Recommends \$200,000 GF in the second year to allow the Office of the Attorney General to employ outside legal counsel for court house renovation cases, and for enforcement of the 1998 Tobacco Master Settlement Agreement.

- **Tobacco Settlement**

- ***Tobacco Settlement and Revitalization Fund.*** Recommends a reduction of \$7.2 million NGF in the first year and \$3.6 million NGF in the second year to adjust the appropriation for the Tobacco Indemnification and Community Revitalization Fund and the Tobacco Settlement Fund to reflect a revision in the projection of the Commonwealth's allocation of the 1998 Master Settlement Agreement. This reduction will bring total funding to \$39.8 million NGF in the first year and \$46.3 million NGF in the second year.