

Central Appropriations

Proposed general fund increases in Central Appropriations include: \$171.0 million for salaries and benefits for state employees and state-supported local employees; \$21.3 million for increases in the costs of intra-governmental services; \$25.0 million to assist localities with the costs of military base realignments and closures; \$17.7 million to provide economic development incentives for SRI and for Rolls-Royce; \$4.0 million 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, and \$1.5 million to support a Productivity Investment Fund.

The \$171.0 million proposed for increased employee compensation includes: \$122.0 million to support a 3.0 percent salary increase in the second year for state classified employees, faculty, and state-supported local employees; \$33.9 million for the increased cost of state employee health insurance; \$12.3 million for increases in the cost of VRS retirement rates; and \$2.8 million for increases in the cost of providing Workers' Compensation insurance for state employees.

General fund decreases in Central Appropriations total \$82.3 million. These reflect technical adjustments to move \$63.3 million GF to Secretary of Commerce and Trade for four on-going economic development programs that have been traditionally budgeted to the Central Appropriations, a reduction of \$12.7 million for higher education interest and charge card rebates, \$5.9 million for savings in State employee group life insurance, and a decrease of \$0.4 million in the rates for the state employee disability program.

- **Higher Education Interest**

- *Higher Education Interest and Charge Card Rebates.* Proposes an additional \$4.0 million GF in the first 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 reduction of \$12.7 million GF is proposed in the second year.

- **Planning Budgeting and Evaluation**

- *Productivity Investment Fund.* Proposes \$1.5 million GF in the second year to support a Productivity Investment Fund.

- **Compensation Supplements**

- *Classified Employee Salaries.* Proposes \$65.9 million GF the second year to support a 3.0 percent salary increase for state classified employees on July 1, 2009.

- ***State-Supported Local Employee Salaries.*** Proposes \$29.7 million GF the second year to support a 3.0 percent salary increase for state-supported local employees on July 1, 2009.
- ***Faculty Salaries.*** Recommends \$26.6 million GF the second year to support a 3.0 percent average salary increase for college and university faculty on July 1, 2009. The actual average increase would vary by institution.
- ***Teacher Salaries.*** Funding of \$132.1 million GF is proposed under Direct Aid for Public Education to support a salary increase of 3.0 percent for local school staff and 3.5 percent for local teachers and instructional staff effective July 1, 2009
- ***Employer Health Insurance Premium Increases.*** Proposes an additional \$19.1 million GF in the first year and \$14.8 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 4.8 percent increase for the current program and a slightly expanded wellness benefit.
- ***State Employee Workers' Compensation Premium Increases.*** Recommends an increase of \$19.1 million GF in the first year and \$14.8 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 4.8 percent increase for the current program and a slightly expanded wellness benefit.
- ***Virginia Retirement System Employer Contribution Rates.*** Proposes \$4.4 million GF the first year and \$4.6 million GF the second year to fund the revised employer contribution rates for the VRS state employee retirement system, the State Police Officers Retirement System (SPORS), the Virginia Law Officers Retirement System (VaLORS), and the Judicial Retirement System (JRS).

The Virginia Retirement System Board of Trustees certified rates based on a valuation of assets and liabilities using and assumed investment return of 7.5 percent, a cost-of-living increase of 2.5 percent, and an amortization period of 20 years. However, budget language establishes the employer contribution rates based on a valuation of assets and liabilities using an assumed investment return of 8.0 percent, a cost-of-living increase of 3.0 percent, and an amortization period of 24 years. These are the same assumptions used in the budget for FY 2008.

- ***VRS Contribution Rates for Constitutional Officers.*** Proposes \$1.6 million GF the first year and \$1.6 million GF the second year to fund the revised employer contribution rates for locally elected constitutional officers.
- ***VRS Group Life Insurance.*** Proposes savings of \$2.9 million GF the first year and \$3.0 million GF the second year in the employer premiums for state employee group life insurance.

- **State Employee Disability Program (VSDP).** Proposes savings of \$0.2 million GF the first year and \$0.2 million GF the second year in the employer premiums for state employee disability program (VSDP).

- **Economic Contingency**

Governor’s Development Opportunity Fund

- **Appropriation Realignment.** The budget, as introduced, proposes to relocate the \$15.1 million GF appropriation for the Governor’s Development Opportunity Fund to the Secretary of Commerce and Trade.

Economic Development Assistance

- **Appropriation Realignments.** The budget, as introduced, proposes to relocate the appropriations for three economic development programs that have been traditionally included in the Central Appropriations’ Payments for Special or Unanticipated Expenses program to other areas of the budget. Changes to the proposed appropriations for these items are explained under the Office of Commerce and Trade.

Proposed Realignment of Economic Development Programs				
Title	2008-2010 Base Budget	Realigned to	2008-2010 GF	Change
Semi-Conductor Grants	\$ 7.4	Sec. of Comm. & Trade	\$3.7	\$ (3.7)
Semi-Conductor Grants II	38.5	Sec. of Comm. & Trade	34.2	(4.3)
Investment Performance Grant	<u>2.3</u>	Sec. of Comm. & Trade	<u>3.6</u>	<u>1.3</u>
Total	\$ 48.2		\$ 41.5	\$ (6.7)

- **Incentive Payments to SRI International.** Recommends \$5.0 million GF in the first year and \$2.0 million in the second year in economic development incentive payments to SRI International to locate its East Coast operations to focus initially on biosciences in the Harrisonburg area. The General Assembly appropriated funds for the project in 2006 and 2007. This represents the final payment to SRI International and completes the Commonwealth’s obligations under Chapter 693 of the *Code of Virginia*.

GF Appropriations for SRI	
Year	GF Appropriation
2006 CTRF	\$ 3.00
2007	12.00
2008 (Proposed)	<u>7.00</u>
Total	\$ 22.00

- *Incentive for Rolls Royce.* Proposes \$1.3 million GF in the first year and \$9.4 million in the second year as part of an economic development incentive package for Rolls Royce to locate an aerospace engineering and manufacturing facility in Prince George County. Of these funds, \$8.6 million is for Higher Education Grant Payments to the University of Virginia and Virginia Tech, with the balance of funding to be used for training programs and project management. An additional \$6.0 million of funding proposed in the Governor’s Opportunity Fund is also dedicated to this project in the biennium. These payments are part of a larger 20-year, \$108.0 million commitment to Rolls-Royce.

Base Realignment and Closure (BRAC) Assistance

- *BRAC Assistance.* Proposes an appropriation of \$7.5 million GF in the first year and \$17.5 million to assist localities with the costs of military base realignments and closures.

Undistributed Support

- *VITA Rates.* Recommends \$9.5 million GF the first year and \$9.5 million GF the second year for increases in the rates charged by VITA to state agencies under the Northrop Grumman contract for the provision of information technology services.
- *VITA Rates.* Proposes an additional 1.2 million GF the first year and \$1.1 million GF the second year for increase in rental charges by the Department of General Services for office space at the seat of government, in Richmond.

- **Tobacco Settlement**

- *Tobacco Settlement and Revitalization Fund.* Proposes an increase of \$45.1 million NGF in the first year and \$45.3 million NGF in the second year to adjust the appropriation for the Tobacco Indemnification and Community Revitalization Fund and the Tobacco Settlement Fund to securitization of the Commonwealth’s allocation of the 1998 Master Settlement Agreement.