

# Central Appropriations

The Governor's recommendations for the Central Appropriations result in a net decrease of \$203.0 million GF for the biennium.

General fund increases total \$16.0 million, and include \$13.3 million to pay institutions of higher education interest earned on nongeneral fund balances and rebates earned on charge card purchases. Other proposed increases include \$1.3 million for the two-year college transfer grant program; \$628,965 for transition and inaugural expenses for the newly-elected state-wide officers; \$438,208 GF as the first installment on the actuarial liability created by payment of the costs of providing enhanced retirement benefits under the Workforce Transition Act of 1995; and \$376,280 GF to convert the payroll services bureau that is operated by the Department of Accounts to an internal service fund.

General fund decreases total \$219.1 million and include savings of \$168.2 million from elimination of the FY 2009 and FY 2010 2 percent salary increases for classified employees, state-supported local employees, and faculty (Elimination of the 2 percent teacher pay raise for FY 2010 is contained in Public Education). Other proposed decreases include \$33.1 million GF from changes in the actuarial methodology used to calculate premiums for non-retirement benefits provided by the VRS and elimination of the long-term care benefit under the Virginia Sickness and Disability Program; \$2.3 million from elimination of increases in rental charges for office space at the seat of government, in Richmond; \$3.4 million reduction the first year in the amount paid to institutions of higher education for the interest earned and rebates on charge card purchases; \$139,800 from a reduction in awards from the Productivity Investment Fund; and \$77,022 by suspending payments of per diems to citizen members of executive branch boards and commissions.

- **Productivity Investment Fund**

- *Productivity Investment Fund Awards.* Proposes savings of \$139,800 GF the first year from a reduction in awards from the Productivity Investment Fund.

- **Compensation Supplements**

- *Salary Actions.* Proposes savings of \$43.6 million GF the first year and \$124.5 million GF the second year, from elimination of the first and second year 2 percent salary increases for classified employees, state-supported local employees, and faculty. The FY 2009 salary increase for judges is not eliminated due to constitutional prohibitions against the reduction of compensation for judges.

| <u>Employee Group</u>           | <u>FY 2009</u> | <u>FY 2010</u> | <u>Total</u>   |
|---------------------------------|----------------|----------------|----------------|
| State Employees                 | \$22.5         | \$65.6         | \$88.1         |
| State-supported Local Employees | 11.5           | 31.5           | 43.0           |
| Faculty                         | <u>9.6</u>     | <u>27.4</u>    | <u>37.0</u>    |
| <b>Total</b>                    | <b>\$43.6</b>  | <b>\$124.5</b> | <b>\$168.1</b> |

- *Teacher Salaries.* An amendment is proposed under Direct Aid for Public Education to capture savings of \$71.6 million GF the second year from elimination of the salary increase of 2 percent for SOQ-supported instructional and support positions that would have been July 1, 2009.
- *Employer Health Insurance Premiums.* No increases in employer or employee health insurance premiums are proposed for FY 2010. However, the budget as introduced proposes to address the 10.3 percent upward trend in costs by: 1) utilization of cash balances in the Health Insurance Fund, 2) a series of selected increases in co-payments and deductibles, and 3) elimination of coverage for lap band and gastric bypass surgery.

- **Employee Benefits Reversion**

- *Non-retirement Benefits Provided by the VRS.* Proposes savings of \$3.3 million GF the first year and \$29.9 million GF the second year the by 1) calculating the contribution rates for state employees and public school teachers in the Virginia Sickness & Disability Program, Group Life insurance, and Retiree Health Care Credit using the assumptions of an 8 percent rate of return on investments, and 30-year amortization period as was used in Chapter 879 for other VRS administered programs, and 2) elimination of the long term care component under the Virginia Sickness and Disability Program, effective July 1, 2009.

|  | <u>FY 2009</u> | <u>FY 2010</u> | <u>Total</u>  |
|--|----------------|----------------|---------------|
| Virginia Sickness & Disability Program<br>(Change Policy Assumption) | \$3.3          | \$20.3         | \$23.6        |
| Virginia Sickness & Disability Program<br>(Eliminate LTC component)  | 0.0            | 4.8            | 4.8           |
| Group Life insurance   | 0.0            | 0.7            | 0.7           |
| Retiree Health Care Credit   | <u>0.0</u>     | <u>4.1</u>     | <u>4.1</u>    |
| <b>Total</b>   | <b>\$3.3</b>   | <b>\$29.9</b>  | <b>\$33.2</b> |

- *Workforce Transition Act Payments.* Proposes an additional \$438,208 GF the second year as the first installment on the actuarial liability created by the payment of the costs of providing enhanced retirement benefits under the Workforce Transition Act of 1995. Language proposes to override a Code provision that requires up-front payment of these costs, and instead spreads these costs over the 30 year amortization period used in the VRS actuarial calculations.

- **Unanticipated Expenditures**

- *Undistributed Support*

- *VITA Rates.* Proposes to transfer \$3.5 million GF from the second year to the first year for increases in the rates charged by VITA to state agencies under the Northrop Grumman contract for the provision of information technology services.
- *Payroll Services Bureau.* Proposes an increase of \$376,280 GF the second year to support agency payments to the payroll services bureau that is operated by the Department of Accounts. Conversion of this bureau from general fund support to an internal service fund will result in net savings of \$233,004.
- *DGS Rental Charges.* Proposes to eliminate the appropriation of \$1.2 million GF the first year and \$1.1 million GF the second year for increases in rental charges by the Department of General Services for office space at the seat of government, in Richmond.

- **State Agency Reductions**

- *State Agency Reversions.* Proposes to capture additional savings of \$14.9 million GF in the first year with an offset of \$3.0 million GF in the second year from all state agencies except institutions of higher education. Chapter 879 required state agencies to submit plans to the Governor to achieve savings of \$17.5 million GF each year by August 1, 2008.
- *Board and Commission Per Diem Payments.* Proposes to achieve savings of \$77,022 GF the second year by suspending payments of per diems to citizen members of executive branch boards and commissions.

- **Transition Support**

- *Transition Support.* Proposes \$628,965 GF and \$104,135 NGF the second year for transition support for the Governor, Lt. Governor, and Attorney General offices to be elected in 2009. The \$104,135 NGF is proposed to be provided from the Department of General Services' seat of government rent plant, and would cover the cost of office space.
- *Inaugural Expenses.* Proposes \$225,000 GF the second year to be transferred to the Department of General Services for inaugural expenses.

|                                  | <u>GF</u>        | <u>NGF<br/>(Rent Plan)</u> | <u>Total</u>     |
|----------------------------------|------------------|----------------------------|------------------|
| Transition Support               |                  |                            |                  |
| Office of the Governor           | \$353,600        | \$69,386                   | \$422,986        |
| Office of the Lt. Governor       | 67,100           | 13,878                     | 80,978           |
| Office of the Attorney General   | 87,400           | 20,871                     | 108,271          |
| <b>Total: Transition Support</b> | <b>\$508,100</b> | <b>\$104,135</b>           | <b>\$612,235</b> |
| Inaugural Expenses               |                  |                            |                  |
| Department of General Services   | <u>\$225,000</u> | <u>\$0</u>                 | <u>\$225,000</u> |
| <b>Total</b>                     | <b>\$628,965</b> | <b>\$104,135</b>           | <b>\$733,100</b> |