Central Appropriations

Central Appropriations serves as a holding account for contingent funds, for unallocated cost increases and decreases, and for the Personal Property Tax Relief appropriation.

Major amounts include: $52.8 million GF for state employee and state-supported local employee salary increases; $50.9 million GF for the state's share of salary increases for public school teachers; $66.1 million GF for the increased cost of state employee health insurance; $23.1 million for the increased cost of other state employee benefit programs; $3.0 million GF for the Governor's discretionary economic development "Deal Closing Fund"; $13.4 million GF for semiconductor performance grant programs; and $1,945.0 million for the Personal Property Tax Relief Fund.

Nongeneral fund appropriations of $152.4 million are included for the Tobacco Settlement funds.

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

- $52.4 million for teacher retirement contributions by using a blended contribution rate;
- $27.3 million from rate reductions for the VRS state employee, JRS, SPORS, and VaLORS systems; and
- $26.9 million to continue the VRS group life insurance premium holiday.

A number of proposed spending items are contingent upon the passage of the Governor's tax proposal legislation. These include funds for: (1) the second year salary increase for state employees, teachers, and state-supported local employees, (2) additional personal property tax relief; (3) the pooled state employee and teacher retirement rates and (4) continued development of the Statewide Agencies Radio System (STARS).

- **Reversion Clearing Account**
  - ***Adjust Amortization Funding Period for VRS State Employees, JRS, VaLORS, and SPORS Pension Funds.*** Language in Item 499 proposes a reduction of $13.4 million GF the first year and $13.9 million GF the second year in employer contribution rates. This reduction results from (1) applying the VRS's actuarially derived

retirement contribution rates (rather than the higher Board approved rates); and (2) using a 30-year amortization period for the unfunded actuarial accrued liability (UAAL) rather than the 23-year amortization period certified by the VRS Board.

- ***State Employee Group Life Insurance Premium Holiday.*** Proposed language continues the premium holiday for the state employee group life insurance program through the 2004-06 biennium. Savings of $13.1 million GF the first year and $13.7 million GF the second year are anticipated. Budget language in Part Three transfers $10.4 million NGF the first year and $10.9 million NGF the second year from to the general fund.

- ***State Employee Health Insurance Credit Employer Contribution Rate.*** The proposed budget captures savings of $328,468 GF the first year and $342,757 GF the second year from lower employer contributions to the state employee health insurance credit program based on rates certified by the Virginia Retirement System Board of Trustees. Budget language in Part Three transfers $294,584 NGF the first year and $307,394 NGF the second year from to the general fund.

- **Compensation Supplements**

  - ***State Employee November 25, 2005 Salary Increase.*** Provides $30.0 million GF the second year to fund a three percent average salary increase for state employees effective November 25, 2005. To be eligible for the three percent increase, employees must receive at least a "Contributor" rating on their most recent performance evaluation. Employees who receive a rating of "Extraordinary Contributor" will receive an additional one percent increase on November 25, 2005. Budget language makes the spending contingent upon passage of the Governor's tax proposal.

  - ***Higher Education Faculty November 25, 2005 Salary Increase.*** Provides $12.0 million GF and $11.4 million NGF the second year to fund a three percent average salary increase effective November 25, 2005, for faculty at state-supported institutions of higher education. Budget language makes the spending contingent upon passage of the Governor's tax proposal.

  - ***State-Supported Local Employees December 1, 2005 Salary Increase.*** Provides $12.4 million GF the second year to fund a three percent average salary increase effective December 1, 2005 for state-supported local employees. State-supported local employees

include constitutional officers and their employees, local social services employees, local election board employees, and local health department employees. Budget language makes the spending contingent upon passage of the Governor's tax proposal.

- ***Public School Teacher December 1, 2005 Salary Increase.*** Provides $50.9 million GF the second year to fund the state's share of a three percent salary increase for public school teachers funded through the Standards of Quality. This proposed increase would take effect on December 1, 2005. Budget language makes the spending contingent upon passage of the Governor's tax proposal.

- ***Fund Revised Virginia Sickness and Disability Program Rates.*** Proposes $8.5 million GF the first year and $8.8 million GF the second year to fund the revised employer contribution rates approved by the VRS Board of Trustees.

- ***Fund Pooled Contribution Rate for VRS Teacher and State Employee Systems.*** Proposes to combine the employer contribution rates for the VRS state employee and VRS teacher systems. The pooled rate assumes a 30-year amortization for both systems rather than the 23-year period approved by the Board. Combining the rates for both the state employee and teacher systems results in an employer contribution rate for the teacher system that is lower than the rate approved by the VRS Board and a higher rate for the state employee system. The blended contribution rate reduces the local share of retirement costs by more than $20 million each year for local school divisions. After accounting for the additional contributions required to fund the blended rate for the state employee system, an additional $3.6 million GF the first year and $2.3 million GF the second year is proposed to fund the blended contribution rates.

Net Cost of Blended VRS Contribution Rates
($ in millions)

	FY 2005	FY 2006	Total
Pooled State Rate	$28.5	$29.7	$58.2
Pooled Teacher Rate	($24.9)	($27.5)	($52.4)
Net Cost of Pooled Rate	**$3.6**	**$2.3**	**$5.8**

For the biennium, the additional funds proposed for VRS in the 2004-06 biennium above the amounts appropriated in Chapter 1042, 2003 Session total approximately $197.0 million GF. Budget language makes this action contingent upon passage of the Governor's tax proposal.

VRS Funding Based on Proposed Blended Contribution Rate 2004-06 Biennium
($ in millions)

VRS Funding: State Employees	**FY 2005**	**FY 2006**	**Biennium**
VRS Increase: Agency Base	$23.8	$24.9	$48.7
30-Year Amortization (State)	($13.4)	($13.9)	($27.3)
Pooled State Rate	$28.5	$29.7	$58.2
Total Funds Budgeted for VRS State	$39.0	$40.7	$79.7
VRS Funding: Teachers			
DOE: VRS Board Rate (8.10%)	$84.5	$91.3	$175.8
30-Year Amortization (7.82%)	($2.9)	($3.2)	($6.1)
Teacher Pooled Rate (6.56%)	($24.9)	($27.5)	($52.4)
Total Funds Budgeted for VRS Teachers	$56.6	$60.7	$117.3
Total Additional Funds Budgeted for VRS in 2004-06	**$95.6**	**$101.4**	**$197.0**

- **State Employee Health Insurance Program**

  – Provides $32.3 million GF the first year and $33.7 million GF the second year to fund the employer's share of the increase in health insurance premium for state employees. The cost of the state's health insurance program is projected to increase 14 percent in FY 2005. Employee premiums will increase an average of about 14 percent in FY 2005.

- **Personal Property Tax Relief**

  – *Continue Personal Property Tax Relief.* Proposes an amendment to provide $27.2 million GF the first year and $76.2 million GF the

second year to continue car tax reimbursement at the 70 percent level.

- ***Provide Additional Personal Property Tax Relief.*** Proposes to increase car tax reimbursement to 77.5 percent in calendar year 2005 and 85 percent in calendar year 2006. Additional funding of $25.8 million GF in FY 2005 and $130.8 million GF in FY 2006 is proposed. Budget language makes the spending contingent upon passage of the Governor's tax proposal.

- **Information Technology**

  - ***Information Technology Reform.*** Technical adjustment of $14.0 million GF in the first and second year eliminates funding for technology reform in Central Appropriations. This funding was used in part to restore to agencies $18.0 million GF each year of the biennium to fund the cost of information technology activities.

- **Public Safety Telecommunications Infrastructure**

  - ***Department of Forestry Radio System.*** Proposes an amendment to provide $123,599 GF the first year and $244,359 GF the second year to replace the existing two-way radio system used by the Department of Forestry staff during fire emergencies. The system will be financed through the Master Equipment Lease Program. Budget language makes the spending contingent upon passage of the Governor's tax proposal.

  - ***Development of Statewide Agencies Radio System (STARS) Project.*** Proposes an amendment to continue the development and begin implementation of the STARS project. STARS will be used by the State Police and other state agencies and will facilitate interoperability statewide with local law enforcement agencies. Budget language makes the spending contingent upon passage of the Governor's tax restructuring proposal.

- **Tobacco Settlement**

  - ***Tobacco Settlement and Revitalization Fund.*** Recommends an amendment 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 Master Settlement Agreement funds. Proposed is a reduction of $3.8 million NGF in the first year and $2.9 million NGF in the second year.

- **Economic Contingency**

  - ***Governor's Development Opportunity Fund.*** Proposes an additional $3.0 million GF the first year for the Governor's Development Opportunity Fund.

  - ***Semiconductor Wafer Performance Fund.*** Proposes $3.7 million GF each year for a major semiconductor manufacturer based in Northern Virginia as the first installment of a performance-based manufacturing grant program approved by the 1996 General Assembly. The affected company has reportedly met the performance criteria required by the agreement.

  - ***Semiconductor Wafer Performance Fund II.*** Proposes $3.0 million GF each year for a major semiconductor manufacturer based in Central Virginia. The affected company has reportedly met the performance criteria required by the agreement.