

# Central Appropriations

Adopted amendments for Central Appropriations include \$21.2 million to increase the FY 2008 salary adjustment for state classified employees, faculty, and state-supported local employees from 3.0 percent to 4.0 percent, and \$12.7 million to pay institutions of higher education interest earned on nongeneral balances and rebates on charge card purchases. Other 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.

Included in Central Appropriations is \$7.2 million GF to create a Higher Education Tuition Incentive Fund to provide additional funding to colleges and universities that limit tuition increases to no more than six percent. Other actions include \$1.8 million GF for the Governor's Economic Contingency Fund to provide additional security at the Jamestown 2007 celebration; \$1.0 million for the Southwest Virginia Technology Development Center; \$258,815 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; \$200,000 for the Office of the Attorney General to employ outside legal counsel and for enforcement of the 1998 Tobacco Master Settlement Agreement, and \$150,000 for increased employer contributions to the deferred compensation program as a result of House Bill 1830.

General fund decreases in Central Appropriations reflect technical adjustments 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 moves retirement rate savings to Direct Aid for Public Education.

- **Higher Education Interest**

- *Higher Education Interest and Charge Card Rebates.* Includes \$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.* Includes 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**

- ***Classified Employee Salaries.*** Provides \$11.6 million GF the second year to increase the FY 2008 salary adjustment for classified state employees from 3.0 percent to 4.0 percent, effective November 25, 2007.
- ***State-supported Local Employee Salaries.*** Provides \$5.3 million GF the second year to increase the FY 2008 salary adjustment for state-supported local employees from 3.0 percent to 4.0 percent, effective December 1, 2007.
- ***DCJS Block Grant Employees.*** Provides \$650,000 GF to include local community corrections block grant employees funded by the Department of Criminal Justice Services (DCJS) in the FY 2008 4.0 percent salary increase
- ***Teacher Salaries.*** Transfers \$22.0 million included in Chapters 3 and 10 under Central Appropriations to Direct Aid and adds 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.*** Provides \$4.3 million GF the second year to increase the FY 2008 salary adjustment for faculty from 3.0 percent to 4.0 percent, effective November 25, 2007. Transfers the \$12.9 million GF set aside in Chapters 3 for the 3.0 percent salary increase on November 25, 2007 for faculty to the institutions of higher education. Separate amendments 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 million 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 adopted 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.
- ***Deferred Compensation Opt-out.*** Provides \$150,000 GF in the second year for the increased employer contributions to the deferred compensation program as a result of HOUSE BILL 1830. This legislation makes enrollment in the deferred

compensation program automatic for new employees, who will have the right to opt out of participation.

- ***VRS Retirement Amortization.*** Eliminates 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.
- ***Salary Increases for Medicaid Funded Positions.*** Requires that when calculating the general funds needed for future salary increases, the Department of Planning and Budget will provide the general fund share of Medicaid funding that is required to support salary increases for employees of the Department of Mental Health, Mental Retardation and Substance Abuse Services who are paid from billings to the Medicaid program.

- **Economic Contingency**

- ***Economic Contingency Fund.*** Increases the appropriation for the economic contingency fund by \$1.8 million GF the first year for additional security and other costs not currently budgeted associated with the Jamestown 2007 celebration.
- ***Southwest Virginia Technology Development Center.*** Provides \$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.*** Provides \$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.
- ***Geospatial Information Services Rates.*** Provides \$258,815 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.*** Provides \$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.*** Includes 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.

- **Higher Education Tuition Incentive Fund**

- *Higher Education Tuition Incentive Fund.* Provides \$7.2 million GF the second year to create the Higher Education Tuition Incentive Fund, which will be allocated to public institutions of higher education that limit 2007-2008 tuition increases to no more than six percent. Institutions may exceed the six percent limitation if they use the additional tuition for in-state undergraduate financial aid. More information is provided in the Higher Education section of this summary.

- **Two Year College Transfer Grant**

- *Two Year College Transfer Grant.* Provides \$1.8 million GF the second year to as start-up funding for the Two-Year College Transfer Grant Program based on House Bill 1681 and Senate Bill 749, as adopted by the 2007 General Assembly.