

Central Appropriations

Approved general fund increases in Central Appropriations include: \$208.9 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; \$27.0 million to assist localities with the costs of military base realignments and closures; \$14.7 million to provide economic development incentives for SRI and Rolls-Royce; and \$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.

The \$208.9 million provided for increased employee compensation includes: \$171.4 million to support 2 percent salary increases in the first and second years for state classified employees, faculty, and state-supported local employees; \$33.9 million for the increased cost of state employee health insurance; \$6.3 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 \$336.5 million. This reflects a \$100.0 million GF reduction in state aid to localities, technical adjustments to move \$63.3 million GF to the Secretary of Commerce and Trade for four on-going economic development programs that have been traditionally budgeted to the Central Appropriations, \$60.4 million from the amortization of VRS retirement contributions over thirty years, \$59.1 million from an employer health insurance rate credit, additional state agency reductions of \$35.0 million GF, a reduction of \$18.7 from a pause in the refunding of the future actuarial liability for early retiree health care.

- **Higher Education Interest**
 - *Higher Education Interest and Charge Card Rebates.* Includes an additional \$4.0 million GF 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. Funding of \$12.7 million GF to continue this program for FY 2010 is not provided.
- **Compensation Supplements**
 - *Classified Employee Salaries.* Provides \$23.6 million GF the first year and \$67.8 million GF the second year to support a 2 percent salary increase for state classified employees on November 25, 2008 and November 25, 2009.
 - *State-Supported Local Employee Salaries.* Provides \$11.5 million GF the first year and \$31.5 million GF the second year to support a 2 percent salary increase for state-supported local employees on December 1, 2008 and December 1, 2009.

- ***Faculty Salaries.*** Provides \$9.6 million GF the first year and \$27.4 million GF the second year to support a 2 percent average salary increase for college and university faculty on November 25, 2008 and November 25, 2009. The actual average increase varies by institution.
- ***Teacher Salaries.*** Funding of \$77.6 million GF the second year is included under Direct Aid for Public Education to support the state's share of a salary increase of 2 percent for SOQ-supported instructional and support positions effective July 1, 2009.
- ***Employer Health Insurance Premium Increases.*** Includes an additional \$19.1 million GF the first year and \$14.8 million GF the second year to fund the employers' share of the increase in health insurance premiums effective July 1, 2008. This funds a 4.8 percent increase for the current program and a slightly expanded wellness benefit.
- ***State Employee Workers' Compensation Premium Increases.*** Provides an increase of \$1.1 million GF the first year and \$1.7 million GF the second year to fund the employers' share of the increase in state employee workers compensation premiums.
- ***Health Insurance Other Post Employment Benefits (OPEB) Funding.*** Captures savings of \$11.7 million the first year and \$7.0 million the second year from a pause in the re-funding of the future actuarial liability of early retiree health insurance pending the outcome of a study by the Department of Human Resource Management.

- **Employee Benefits Reversion**

- ***Employer Health Insurance Credit.*** Captures savings of \$28.9 million GF the first year and \$30.2 million GF the second year from implementation of a credit reducing agency expenditures for the employer premium to the employee health insurance program. Current balances in the Health Insurance Fund (HIF) are above the actuarially required reserves.
- ***VRS Amortization.*** Saves \$29.6 million GF the first year and \$30.8 million GF the second year by calculating the VRS contribution rates for state employees and public school teachers using a 30-year amortization period in place of the 24 year amortization period utilized in the budget, as introduced.

- **Unanticipated Expenditures**

Governor's Development Opportunity Fund

- ***Appropriation Realignment.*** The approved budget relocates 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 approved budget relocates 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 appropriations for these items are explained under the Office of Commerce and Trade.

Realignment of Economic Development Programs				
Title	2008-10 Base Budget	Realigned to	2008-10 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 for Rolls Royce.*** Includes \$1.3 million GF the first year and \$9.4 million 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 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.*** Provides an appropriation of \$7.5 million GF the first year and \$17.5 million GF the second year to assist localities with the costs of military base realignments and closures. Language allocates \$10.0 million of this amount in the second year for efforts to retain the Defense Advanced Research Projects Agency
- ***Expansion of Fort Lee.*** Provides \$2.0 million GF in the second year for improvements related to the expansion of Fort Lee.

Undistributed Support

- *VITA Rates.* Provides \$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.
- *DGS Rental Charges.* Includes an additional \$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.
- **Tobacco Settlement**
 - *Tobacco Settlement and Revitalization Fund.* Provides an increase of \$45.1 million NGF the first year and \$45.3 million NGF 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.
- **Two-Year College Transfer Grant**
 - *Transfer Grant Program.* Provides \$300,000 GF the first year and \$1.5 million GF the second year for the two-year college transfer grant program based on estimated participation.
- **State Agency reversions**
 - *State Agency Reversions.* Requires additional savings of \$17.5 million GF in the first year and \$17.5 million GF in the second year from all state agencies except institutions of higher education. State agencies are required to submit a plan to the Governor to achieve these savings by August 1, 2008.
- **Local Aid Reversions**
 - *Local Aid Reversions.* Establishes a reversion clearing account to implement a \$50.0 million GF reduction in state aid to localities in each year. Under this program localities will choose whether to achieve their reductions by one of three methods: 1) reductions to a single program, 2) a percentage reduction in all state payments, or 3) reimbursement of the Commonwealth and forego any reductions state payments they receive. Localities are to certify the method by which they intend to implement these reductions by August 30, 2008.