

Central Appropriations

The budget, as adopted, for the Central Appropriations includes a net increase of \$46.5 million GF for the biennium.

Net general fund increases total \$134.6 million, and include \$57.4 million for state classified and state-supported local salary increases; \$24.0 million to assist localities with the transition costs associated with the capped personal property tax relief program; \$31.2 million GF to pay the employer share of state employee health insurance premium increases for FY 2006; \$2.0 million GF to provide additional funding for Semiconductor Education Grants; \$1.0 million GF for enhancement of post-secondary education opportunities in Southside Virginia; \$0.9 million GF for evaluation of information technology proposals under the Public-Private Education Facilities and Infrastructure Act (PPEA); \$0.7 million GF for the Virginia Horse Center, \$0.6 million GF for telecommunications rates for state agencies, \$0.5 million GF for dredging of the Appomattox River, and \$0.5 million GF for transition support related to the election of new state-wide elected officers.

Included in the General Fund increases are fifteen changes to the Economic Contingency Account that were approved at the reconvened session: nine spending actions totaling \$15.8 million GF, two general fund reversions totaling \$11.3 million GF, and four language amendments. Each of these amendments is discussed in the appropriate section of this document:

<u>Action</u>	<u>Amount</u>
1. Change title of Item	Language
2. State Fair of Virginia Road Improvements	Language
3. Virginia Horse Center	\$10,000
4. Grace E. Harris Leadership Institute	\$100,000
5. Va. Biotechnology Research Park	\$3,200,000
6. Appomattox River Dredging	Language
7. Public Safety Officers' Compression Pay	\$2,975,722
8. National Guard Life Insurance Premiums	\$350,220
9. Career and Technical Training, Testing and Certification	\$1,453,288
10. Rural Economic Development Initiative	\$5,100,000
11. School Breakfast State Reimbursement Program	\$1,172,020
12. Va. Modeling, Analysis and Simulation Center	\$1,450,000
13. Treasury Board Debt Service Savings Reversion	(\$4,750,000)
14. Virginia Health Care Fund Reversion	(\$6,500,000)
15. Salem Convention Center Sales Tax Revenues	Language

The proposed general fund reversions are treated as additions to the fund balance and are discussed in the Revenue section.

General fund decreases in Central Appropriations total \$88.2 million, all of which are for technical adjustments. Of this amount \$59.3 million GF reflects adjustments needed to continue car tax reimbursement at the 70 percent level, \$26.6 million allocates the second year salary reserve, and \$2.3 million is transferred to the Department of State Police for the State Agencies Radio System.

- **Compensation Supplements**

- *Employee Salaries.* A total of \$131.7 million GF is provided for salary increases in the second year for state classified employees, faculty, state-supported local employees and local teachers. This is an increase of \$105.1 million GF above the \$26.6 million GF compensation reserves set aside by the General Assembly at the 2004 session. Of this amount, a total of \$60.3 million is included for the Central Appropriations (\$57.3 million in Compensation Supplements and \$3.0 million in Economic Contingency) and \$71.4 million GF is included in the budget for the Department of Education and the colleges and universities for local teachers and higher education faculty, respectively.
- **Classified Employees.** Provides \$42.0 million GF (\$41.3 million in Compensation Supplements and \$0.7 million in Economic Contingency) for salary actions affecting state classified employees on November 25, 2005. These funds are budgeted to the Central Appropriations.
 - *3.0 percent Salary Increase:* Authorizes a 3.0 percent salary increase for all state classified employees on November 25, 2005.
 - *4.4 percent Salary Increase:* Authorizes a 4.4 percent salary increase on November 25, 2005 for cabinet secretaries, agency heads, judges and justices.
 - *Longevity Pay:* Authorizes a salary increase of \$50 per year of service on November 25, 2005 for classified employees who have five or more years of continuous state service.

- **State-supported Local Employees.** Provides \$18.3 million GF (\$16.0 million in Compensation Supplements and \$2.3 million in Economic Contingency) for a 4.4 percent salary increase on December 1, 2005 for state state-supported local employees.
- **Faculty.** Provides \$16.6 million GF for an average 4.2 percent salary increase on December 1, 2005 for teaching and research faculty and 4.0 percent for administrative faculty. These funds are budgeted to the various institutions of higher education.
- **Local Public School Teachers and Staff.** Provides \$54.8 million GF for the State's share of a 3.0 percent salary increase on December 1, 2005 for state-funded instructional and support positions. These funds are budgeted to the Department of Education.
- **Employee Health Insurance Administration**
 - *Employer Health Insurance Premium Increases.* Provides \$31.2 million GF the second year to fund the employer's share of the increase in health insurance premiums effective July 1, 2005. There are no proposed changes to the structure of benefits.
- **Transition Support**
 - *Transition Support.* Provides \$546,900 the second year for transition support for the newly elected Governor, Lt. Governor, and Attorney General.

Office of the Governor	\$283,000
Office of the Lt. Governor	\$21,500
Office of the Attorney General	\$99,000
Department of General Services	\$143,400
- **Personal Property Tax Relief**
 - *Personal Property Tax Relief Forecast Adjustment.* Includes a reduction of \$57.8 million GF the first year and \$1.5 million GF the second year to reflect the revised forecast of car tax reimbursements at the 70 percent level. This reduction reflects the carry forward of \$21.0 million remaining from the FY 2004 appropriation combined with a reduction in FY 2005 projected reimbursements of \$36.7

million. The reduced forecast is attributable primarily to lower than anticipated growth in new and used vehicle values.

- ***Personal Property Tax Relief Transition Funding.*** Provides \$24.0 million GF the second year to address reimbursement costs of delinquent personal property tax bills that are paid during calendar year 2006. This amount was estimated based on historical collection patterns for delinquent payments, combined with the assumption that localities will be more aggressive in pursuing delinquent payments. Because reimbursement eligibility for prior year taxes due will expire on September 1, 2006 as the PPTRA program transfers to a capped reimbursement program, it is anticipated the number of delinquent accounts paid will increase.
- ***Personal Property Tax Relief Transition Language.*** Includes a series of language amendments to ease transition to the requirements of the PPTRA adopted by the 2004 General Assembly. These changes were designed to address concerns expressed by local officials. The individual changes are summarized below:
 1. Changes the “lookback” year upon which the allocation of tax year 2006 reimbursements are made from tax year 2005 to tax year 2004. This shift is intended to ensure that all localities are able to work through a full collection cycle prior to the March 1, 2006 deadline.
 2. Includes language stating that the deadline for entitlement to personal property tax relief for tax year 2005 and all prior years expires on September 1, 2006.
 3. Includes language which would provide localities the option of showing on the tax bill the actual dollar amount of relief provided as opposed to showing multiple rates.
 4. Allows for advance payment of amounts due in property tax reimbursement to towns that bill in the spring and utilize cash based accounting.
 5. Provides a statement of legislative intent regarding the timing of paying the localities with spring billing dates. This language is intended to clarify that these localities will be reimbursed for amounts attributable to such spring bill dates not later than August 15 of each year.

- **Economic Contingency**

- ***Semiconductor Education Grant.*** Provides \$2.0 million GF the second year for Virginia Commonwealth University's School of Engineering for programs in support of Infineon Technologies, Inc. expansion.
- ***Post-secondary Education in Southside Virginia.*** Provides \$1.0 million GF the second year for enhancement of post-secondary education in Southside Virginia.
- ***Telecommunications Rate Increase.*** Provides \$223,297 GF the first year and \$334,945 GF the second year to correct an error in estimated telecommunications rates for state agencies.
- ***Review of PPEA proposal for Information Technology.*** Provides \$928,920 GF the second year for review of the information technology portions of multi-agency proposals received under the Public-Private Education Facilities and Infrastructure Act (PPEA).
- ***Virginia Biotechnology Research Park Authority.*** Authorizes the Virginia Biotechnology Research Park Authority, in Richmond, to enter into land option agreements for acquisition of lands to carry out its overall Master Development Plan and strategic initiatives.
- ***Appomattox River Dredging.*** Provides \$500,000 from the general fund in the second year to restore the navigation channel in the Appomattox River to historic downtown Petersburg.
- ***Virginia Horse Center.*** Provides \$720,349 general fund to increase operating support for the Virginia Horse Center Foundation from \$169,651 to \$890,000 GF in the second year.

Reconvened Session Amendments

- ***Change Title of Item.*** Changes the title of Item 506 from *Economic Contingency* to *Economic Contingency and Unallocated Amounts*.
- ***State Fair of Virginia Road Improvements.*** Authorizes the Commonwealth Transportation Board to issue FRANs for road improvements (widening State Route 30 in Hanover and Caroline Counties from 2-lanes to 4-lanes over a 2-mile stretch) to assist the State Fair of Virginia. FRANs could be issued to address costs in excess of the resources provided by existing state programs and private contributions for the road improvements.

- ***Virginia Horse Center.*** Provides an additional \$10,000 GF in the second year for the Virginia Horse Center.
- ***Grace E. Harris Leadership Institute.*** Provides \$100,000 GF in the second year for the Grace E. Harris Leadership Institute at Virginia Commonwealth University.
- ***Va. Biotechnology Research Park.*** Provides \$3.2 million GF the first year to compensate the Virginia Biotechnology Research Park for land the Park had purchased. This land will be used to assist Phillip Morris USA in constructing a major research facility on the site.
- ***Appomattox River Dredging.*** Deletes language that required the appropriation to be repaid after the dredging project is completed with the proceeds credited to the Governor’s Development Opportunity Fund.
- ***Public Safety Officers’ Compression Pay.*** See Compensation Supplements.
- ***National Guard Life Insurance Premiums.*** Provides \$350,220 GF to pay the employee share of the premiums for the \$250,000 federal military life insurance benefit on behalf of all soldiers deployed with the Virginia National Guard.
- ***Career and Technical Training, Testing and Certification.*** Provides the \$1.5 million GF the second year to reimburse school divisions and community colleges for career and technical training, testing and Certification.
- ***Rural Economic Development Initiative.*** Provides \$5.1 million to be spent on a variety of items to be determined by the Governor, which “may be used for, but is not limited to” these items: (1) regional consortium grants in distressed regions; (2) a New Virginia Trails program; (3) an artisan network organization; (4) a Virginia Artisan Trail; (5) at least one additional regional artisan center; (6) Virginia Small Manufacturing Assistance Program; (7) acquisition and redevelopment of closed industrial sites in rural areas; (8) and a rails-to-trails network in Southside.
- ***School Breakfast State Reimbursement Program.*** Adds \$1.2 million GF to provide 20 cents for every new school breakfast provided by

school divisions. These funds may not supplant existing local funds for school nutrition programs.

- *Va. Modeling, Analysis and Simulation Center.* Includes \$1.5 million GF to enhance the Center's research efforts and to strengthen collaborative work with the U.S. Joint Forces Command headquartered in Norfolk.
 - *Treasury Board Debt Service Savings Reversion.* Language captures \$4.0 million GF in FY 2005 and \$750,000 in FY 2006 for anticipated savings in debt service costs.
 - *Virginia Health Care Fund Reversion.* Language captures a one-time reversion of \$6.5 million NGF to the general fund by June 30, 2006. Because the Medicaid program receives appropriations from the general fund and the Virginia Health Care Fund (VHCF), additional anticipated revenues from the VHCF allow for a reduction in the general fund appropriation.
 - *Salem Convention Center Sales Tax Revenues.* Overrides the Code of Virginia to provide a one-year extension until July 1, 2006, for the City of Salem to issue bonds for a new public facility and retain its current authority to use all sales tax revenue generated in the new facility for debt service.
- **Public Safety Telecommunications**
 - *State Agencies Radio System (STARS):* Transfers \$2.3 million GF the second year for the State Agencies Radio System (STARS) project management from Central Appropriations to the Department of State Police.