

CENTRAL APPROPRIATIONS



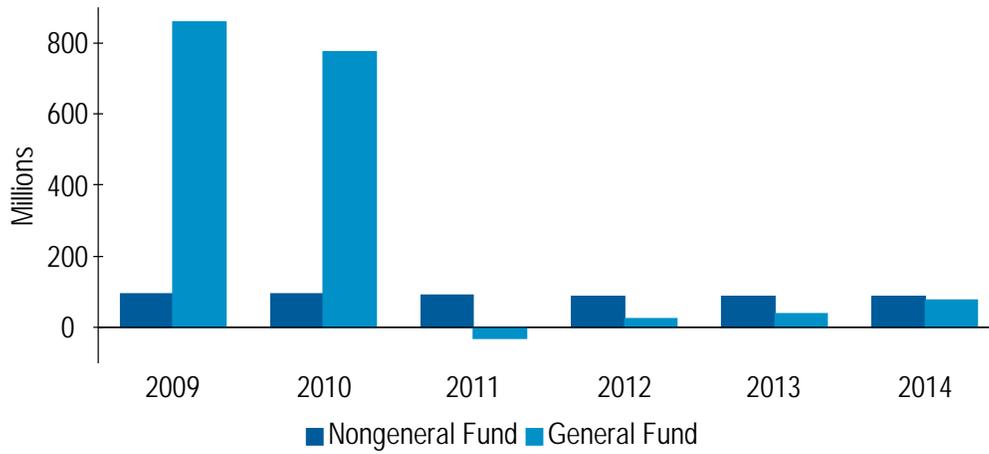
Central Appropriations serves two purposes. First, it acts as a “holding account” for funds used to supplement state agency appropriations. These funds are designated for a variety of purposes, including employee compensation, economic contingencies, economic development, employee health premiums, and state legal expenses. Central Appropriations also acts as a “reversion clearing account” to accrue statewide savings for various actions. The Department of Planning and Budget administers Central Appropriations.



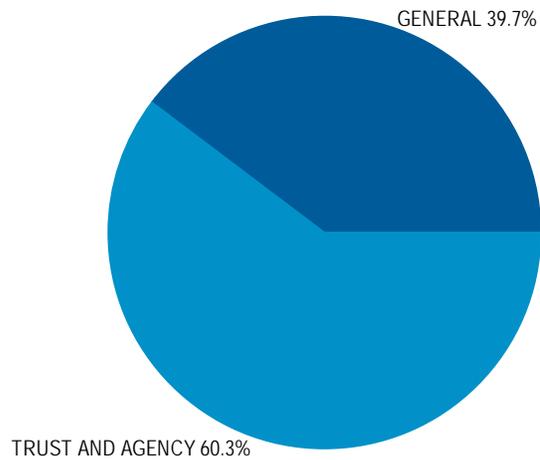
Central Appropriations Includes:

| | |
|------------------------|------------------------|
| Central Appropriations | Central Capital Outlay |
|------------------------|------------------------|

Central Appropriations Operating Budget History



Financing of the Central Appropriations* Based on 2012-2014 Proposed Operating Budget *Funds with totals less than 1% have not been included



Central Appropriations

Central Appropriations acts as a “holding account” for funds used to supplement state agency appropriations.

Operating Budget Summary

| | General Fund | Nongeneral Fund | Personnel Costs |
|--------------------|-----------------|-----------------|-----------------|
| 2009 Appropriation | \$ 856,578,586 | \$ 94,829,186 | \$ (12,778,307) |
| 2010 Appropriation | \$ 776,274,718 | \$ 93,736,553 | \$ (43,968,552) |
| 2011 Appropriation | \$ (28,685,743) | \$ 90,333,589 | \$ (4,680,268) |
| 2012 Appropriation | \$ 26,708,386 | \$ 89,257,200 | \$ 66,619,324 |
| 2013 Base Budget | \$ 26,708,386 | \$ 89,257,200 | \$ 59,471,557 |
| 2013 Addenda | \$ 13,490,386 | \$ 20,696 | \$ 16,882,795 |
| 2013 Total | \$ 40,198,772 | \$ 89,277,896 | \$ 76,354,352 |
| 2014 Base Budget | \$ 26,708,386 | \$ 89,257,200 | \$ 59,471,557 |
| 2014 Addenda | \$ 49,468,188 | \$ 20,696 | \$ 50,694,459 |
| 2014 Total | \$ 76,176,574 | \$ 89,277,896 | \$ 110,166,016 |

Authorized Positions Summary

| | General Fund | Nongeneral Fund | Total Positions |
|--------------------|--------------|-----------------|-----------------|
| 2009 Appropriation | 0.00 | 0.00 | 0.00 |
| 2010 Appropriation | 0.00 | 0.00 | 0.00 |
| 2011 Appropriation | 0.00 | 0.00 | 0.00 |
| 2012 Appropriation | 0.00 | 0.00 | 0.00 |
| 2013 Base Budget | 0.00 | 0.00 | 0.00 |
| 2013 Addenda | 0.00 | 0.00 | 0.00 |
| 2013 Total | 0.00 | 0.00 | 0.00 |
| 2014 Base Budget | 0.00 | 0.00 | 0.00 |
| 2014 Addenda | 0.00 | 0.00 | 0.00 |
| 2014 Total | 0.00 | 0.00 | 0.00 |

Recommended Operating Budget Addenda

- Distribute Central Appropriation items to agency budgets**

Reflects amounts moved from Central Appropriations to the agencies to cover the costs of items such as changes in retirement and other benefit contribution rates, as well as the distribution of other centrally funded items.

| | FY 2013 | FY 2014 |
|--------------|-----------------|-----------------|
| General Fund | \$ (68,973,977) | \$ (68,973,977) |

- Adjust estimated interest earnings and credit card rebates**

Adjusts estimated interest earnings and credit card rebates for institutions of higher education.

| | FY 2013 | FY 2014 |
|-----------------|----------------|----------------|
| General Fund | \$ (4,630,697) | \$ (3,977,120) |
| Nongeneral Fund | \$ 20,696 | \$ 20,696 |

- Capture federal Early Retirement Reinsurance Program funds**

Captures \$16.6 million in federal Early Retirement Reinsurance Program funds. The state has received \$7.1 million to date, with \$9.5 million pending. These funds would be used to help offset the increase in health insurance premiums in FY 2013. Of the \$16.6 million total, \$9.1 million is the estimated general fund share.

| | FY 2013 | FY 2014 |
|--------------|----------------|---------|
| General Fund | \$ (9,066,565) | \$ 0 |

- Fund on-going operating costs for Performance Budgeting System**

Provides funding to cover the general fund share of the operating costs of the Commonwealth's performance budgeting application. These costs are incurred under the internal service fund established within the Department of Accounts to recover ongoing costs associated with performance budgeting and other financial enterprise applications.

| | FY 2013 | FY 2014 |
|--------------|--------------|--------------|
| General Fund | \$ 1,411,925 | \$ 1,411,925 |

- Fund telephone system costs**

Provides funding to agencies replacing mission critical telephone systems. Many of the agencies' phone systems are in disrepair and out of compliance with new technology and face significant costs for replacement. In some cases, replacement parts are unavailable. The Virginia Information Technologies Agency has been tasked to analyze and assess ways to minimize the ongoing costs of any of the systems funded from this account.

| | FY 2013 | FY 2014 |
|--------------|--------------|--------------|
| General Fund | \$ 5,000,000 | \$ 1,800,000 |

- Implement changes to employee health benefits plan**

Implement changes to the employee health benefits plan. These changes include requiring the use of outpatient settings (office or ambulatory surgical centers) for selected surgeries, eliminating co-payments for diabetes medications and supplies, and establishing a retail maintenance network for maintenance drugs (with penalties for nonuse). The changes will, in the aggregate, save almost \$4.2 million (general fund) annually.

| | FY 2013 | FY 2014 |
|--------------|----------------|----------------|
| General Fund | \$ (4,154,344) | \$ (4,154,344) |

- **Modify funding for changes in other post-employment benefit programs for state employees**

Provides additional funding for changes in costs associated with the group life insurance program, the sickness and disability program, and the retiree health insurance credit based on the June 30, 2011, Virginia Retirement System valuation for FY 2013 and FY 2014. The individual amounts include increased costs of \$3.9 million (FY 2013) and \$4.0 million (FY 2014) for the group life insurance program, savings of \$3.5 million (FY 2013) and \$3.7 million (FY 2014) for the sickness and disability program, and increases of \$227,928 (FY 2013) and \$237,893 (FY 2014) for the retiree health insurance credit.

| | FY 2013 | FY 2014 |
|--------------|------------|------------|
| General Fund | \$ 553,599 | \$ 577,739 |

- **Provide additional funding for University of Virginia health plan**

Provides funding for the University of Virginia (UVA) to cover the state share of the increases in employer premiums for state employees participating in UVA's self-insured health care plan. (UVA employees do not participate in the state health insurance plan.)

| | FY 2013 | FY 2014 |
|--------------|------------|------------|
| General Fund | \$ 526,849 | \$ 526,849 |

- **Provide for contingent state employee bonus**

Includes provisions for a contingent bonus of up to three percent for all full-time state employees on December 1, 2012. In order for the bonus to be paid, statewide discretionary unspent general fund appropriations on June 30, 2012, must meet or exceed twice the general fund cost of the bonus. Each agency will be responsible for funding the bonus out of its unspent discretionary appropriations. This gain-sharing effort provides an incentive for state employees to look for ways to make government more efficient.

- **Provide funding for increases in the cost of state employee retirement**

Provides additional funding for the increased costs associated with state employee retirement benefits based on the June 30, 2011, Virginia Retirement System valuation for FY 2013 and FY 2014. The funding amounts assume an eight percent investment rate of return, a 2.5 percent rate of inflation, and a 30-year amortization. The funding does not include any amounts for the payback of deferred contributions for FY 2011 and FY 2012. That funding will be provided in a separate amendment. The amounts also do not include the costs associated with restoring the \$224.1 million that was diverted from agency budgets to the general fund in FY 2012 as part of the savings recognized from the deferral of payments to the retirement system. Those amounts are included in agency base budgets.

| | FY 2013 | FY 2014 |
|--------------|---------------|---------------|
| General Fund | \$ 17,419,943 | \$ 18,177,300 |

- **Provide funding for state agencies for general fund share of increased Line of Duty costs**

Provides funding for general fund cost increases associated with state agency Line of Duty Act eligible personnel as well as costs associated with periods of state service provided by National Guard employees.

| | FY 2013 | FY 2014 |
|--------------|--------------|--------------|
| General Fund | \$ 1,677,078 | \$ 1,677,078 |

- **Provide funding for the Federal Action Contingency Trust Fund**

Provides \$20 million to further capitalize a Federal Action Contingency Trust (FACT) Fund to help prepare the Commonwealth for future federal spending reductions. This reserve fund will be available to address a variety of potential negative impacts from actions at the national level to deal with the federal debt and deficit and will provide added flexibility to deal with those situations for which the Revenue Stabilization Fund and other existing resources are either unavailable or inadequate.

| | FY 2013 | FY 2014 |
|--------------|---------|---------------|
| General Fund | \$ 0 | \$ 20,000,000 |

- **Provide funding for the payback of deferred state employee retirement contributions**

Provides funding for the first two years of the 10-year payback of deferred state employee retirement contributions for FY 2011 and FY 2012. The repayment is amortized over a 10-year closed period at level dollar amounts assuming a seven percent annual interest rate.

| | FY 2013 | FY 2014 |
|--------------|---------------|---------------|
| General Fund | \$ 24,741,430 | \$ 25,817,137 |

- **Provide funding for the state employee health insurance program**

Provides funding to cover the general fund share of increased premiums for the state employee health insurance program. The majority of the increased costs to the state (about 94 percent, or \$62.6 million in FY 2013 and \$65.4 million in FY 2014) are due to the elimination of the Health Insurance Fund subsidy. The actual rate increase related to inflation and utilization is only 0.9 percent.

| | FY 2013 | FY 2014 |
|--------------|---------------|---------------|
| General Fund | \$ 66,424,586 | \$ 69,312,481 |

- **Reduce aid to localities savings**

Reduces the reversion clearing account for aid to localities by \$10 million in FY 2013 and \$15 million in FY 2014.

| | FY 2013 | FY 2014 |
|--------------|---------------|---------------|
| General Fund | \$ 10,000,000 | \$ 15,000,000 |

- **Reduce reserve for health benefit claims Incurred But Not Reported (IBNR)**

Reduces the reserve for health benefit claims Incurred But Not Reported (IBNR). The IBNR valuation is an estimate of the liability associated with claims that have been incurred but not yet paid. Technology has reduced the time to process claims. While 10 years ago the IBNR was 2-3 months, in FY 2011 it was 1.1 months (which equated to \$83.7 million). This request would reduce the IBNR by an additional week to take advantage of continuing technology advancements. The savings in each year of the biennium (\$17.5 million, of which \$9.6 million is the estimated general fund share) would be used to help offset the increase in health insurance premiums in the next biennium.

| | FY 2013 | FY 2014 |
|--------------|----------------|----------------|
| General Fund | \$ (9,558,126) | \$ (9,558,126) |

- **Reduce supplemental funding for information technology**

Reduces funding for information technology and telecommunication rates changes based on updated projections of the impacts on state agencies that use more current billing data. As a result of continuing increases in technology and telecommunication costs, agencies were required to perform an information technology assessment to identify areas of impact and to develop a plan to reduce costs in the future. These savings reflect changes in utilization, services, and products.

| | FY 2013 | FY 2014 |
|--------------|----------------|----------------|
| General Fund | \$ (4,681,107) | \$ (4,402,633) |

- **Remove \$10 million annual across-the-board reduction to higher education**

Removes the annual \$10 million across-the-board reduction to higher education institutions.

| | FY 2013 | FY 2014 |
|--------------|---------------|---------------|
| General Fund | \$ 10,000,000 | \$ 10,000,000 |

- **Transfer funding to agencies for increased information technology and telecommunication charges**

Transfers to agency's budget the general fund share of information technology and telecommunication charges based on changes in utilization, services, and rate changes approved by the Joint Legislative Audit and Review Commission on July 1, 2010, and September 1, 2011.

| | FY 2013 | FY 2014 |
|--------------|-----------------|-----------------|
| General Fund | \$ (20,849,095) | \$ (20,847,569) |

- **Transfer savings from statewide purchase and supply system**

Transfer savings from statewide purchase and supply system. Transfers general fund and nongeneral fund savings associated with a reduction in the rate charged to agencies by the Department of General Services (DGS) for making purchases through the statewide purchase and supply system.

| | FY 2013 | FY 2014 |
|--------------|--------------|---------|
| General Fund | \$ (186,355) | \$ 0 |
| Resources | \$ 164,845 | \$ 0 |

- **Transfer to the general fund from savings associated with computer outage agreement**

Captures general fund savings achieved from an agreement with Northrop Grumman, Inc. related to a computer services outage in August 2010. The savings are earned from billing credits issued in monthly installments to the agencies directly impacted by the outage.

| | FY 2013 | FY 2014 |
|--------------|--------------|---------|
| General Fund | \$ (107,050) | \$ 0 |

Recommended Savings Addenda

- **Capture savings from reduced information technology overhead costs**

Captures from agencies the general fund share of savings from strategies to reduce overhead costs in the Virginia Information Technologies Agency. These savings will result in a reduction to the surcharge to cover the agency's recurring operational costs.

| | FY 2013 | FY 2014 |
|--------------|--------------|--------------|
| General Fund | \$ (415,616) | \$ (415,616) |

- **Capture savings related to the elimination or consolidation of agencies, boards, and commissions**

Reflects savings related to the elimination or consolidation of agencies, boards, and commissions. These actions will generate almost \$1.3 million in savings in FY 2013 and more than \$2.1 million in annual general fund savings beginning in FY 2014.

| | FY 2013 | FY 2014 |
|--------------|----------------|----------------|
| General Fund | \$ (1,259,542) | \$ (2,120,386) |

- **Reduce expenditures for organizational memberships**

Reflects savings associated with the elimination of organizational memberships held by state agencies.

| | FY 2013 | FY 2014 |
|--------------|--------------|--------------|
| General Fund | \$ (382,550) | \$ (382,550) |

Central Capital Outlay

Operating Budget Summary

| | General Fund | Nongeneral Fund | Personnel Costs | |
|--------------------|--------------|-----------------|-----------------|---|
| 2009 Appropriation | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2010 Appropriation | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2011 Appropriation | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2012 Appropriation | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2013 Base Budget | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2013 Addenda | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2013 Total | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2014 Base Budget | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2014 Addenda | \$ 0 | \$ 0 | \$ 0 | 0 |
| 2014 Total | \$ 0 | \$ 0 | \$ 0 | 0 |

Authorized Positions Summary

| | General Fund | Nongeneral Fund | Total Positions |
|--------------------|--------------|-----------------|-----------------|
| 2009 Appropriation | 0.00 | 0.00 | 0.00 |
| 2010 Appropriation | 0.00 | 0.00 | 0.00 |
| 2011 Appropriation | 0.00 | 0.00 | 0.00 |
| 2012 Appropriation | 0.00 | 0.00 | 0.00 |
| 2013 Base Budget | 0.00 | 0.00 | 0.00 |
| 2013 Addenda | 0.00 | 0.00 | 0.00 |
| 2013 Total | 0.00 | 0.00 | 0.00 |
| 2014 Base Budget | 0.00 | 0.00 | 0.00 |
| 2014 Addenda | 0.00 | 0.00 | 0.00 |
| 2014 Total | 0.00 | 0.00 | 0.00 |

New Capital Outlay Budget Summary

| | General Fund | Nongeneral Fund | Bond Proceeds |
|--------------|--------------|-----------------|---------------|
| 2013 Addenda | \$ 0 | \$ 14,750,000 | 150,501,016 |
| 2014 Addenda | \$ 0 | \$ 0 | 89,581,777 |

Recommended Capital Outlay Addenda

- Fund capital project planning**

Provides funding to develop detail planning for selected high priority capital projects at state agencies and institutions of higher education.

| | FY 2013 | FY 2014 |
|-----------------|---------------|---------|
| Nongeneral Fund | \$ 14,750,000 | \$ 0 |
| Bond Proceeds | \$ 0 | \$ 0 |

- Fund maintenance needs of Commonwealth**

Provides funding to be distributed to agencies and institutions of higher education to address critical maintenance needs in state-owned facilities. This funding can be used to address major repairs or replacements to plant, property, or equipment that is intended to extend its useful life.

| | FY 2013 | FY 2014 |
|---------------|----------------|---------------|
| Bond Proceeds | \$ 110,951,016 | \$ 89,581,776 |

- Provide equipment for previously funded projects**

Provides funding in central accounts to be disbursed to agencies and institutions of higher education for equipment purchases related to previously authorized capital projects.

| | FY 2013 | FY 2014 |
|---------------|---------------|---------|
| Bond Proceeds | \$ 39,550,000 | \$ 0 |