

Central Appropriations

Adopted Adjustments				
(\$ in millions)				
	FY 2019 Adopted		FY 2020 Adopted	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2016-18 Current Budget, Ch. 836	\$249.9	\$119.8	\$249.9	\$119.8
Adopted Increases	86.0	1.9	293.4	1.9
Adopted Decreases	<u>(254.6)</u>	<u>(0.5)</u>	<u>(254.5)</u>	<u>(0.5)</u>
\$ Net Change	(168.7)	1.4	38.8	1.4
Ch. 2 (HB 5002, as Adopted)	\$81.3	\$121.3	\$288.8	\$121.3
% Change	(67.5%)	1.2%	15.5%	1.2%
FTEs	0.00	0.00	0.00	0.00
# Change	0.00	0.00	0.00	0.00

- **Compensation Supplements**

- *Salary Increases for State Employees, State-Supported Local Employees, and Targeted State Employee Groups.* Provides \$124.7 million GF the second year for a 2 percent raise for state employees and state-supported local employees, effective June 10, 2019 (for the July 1 paycheck) and July 1, 2019, respectively, as well as a 2 percent additional salary increase for state employees with greater than three years of continuous state service, effective June 10, 2019. Included in the appropriation is \$49.3 million GF for targeted compensation initiatives for a variety of employee groups, effective January 10, 2019, (for the February 1 paycheck) for state employee groups, including Department of Behavioral Health and Developmental Services select staff, Department of Corrections and Department of Juvenile Justice correctional officers, and Virginia Marine Police, and Deputy Sheriffs, effective February 1, 2019. A portion of the funding for the initiatives, \$13.8 million GF over the biennium, is redirected from the elimination of proposal in the introduced budget for the state to assume employees' share of state health plan premium increases.

Also included within the appropriation for Direct Aid to Public Education, is \$131.5 million GF the second year, for a 3 percent raise for teachers and SOQ funded positions, based on a July 1, 2019, effective date.

- A summary of approved compensation actions is depicted below:

Adopted Compensation Adjustments (\$ GF only, in millions)		
<u>Base Salary Adjustments</u>	<u>Total Cost</u>	<u>Effective Date</u>
State Employees (2%)	\$68.8	6/10/19 (July 1 Pay)
State Employees w/ three or more years of service (additional 2% merit-based)	38.0	6/10/19 (July 1 Pay)
State-Supported Local Employees (2%)	17.9	July 1, 2019
Teachers/SOQ Positions (3%)	<u>131.5</u>	Local Flexibility ⁽¹⁾
Total GF Cost	\$256.2	
 <u>Targeted Salary Actions⁽²⁾</u>		
DBHDS Select Staff	\$17.3	1/10/19 (Feb 1 Pay)
DOC, DJJ Correctional Officers ⁽³⁾	26.0	1/10/19 (Feb 1 Pay)
Marine Police	0.5	1/10/19 (Feb 1 Pay)
Deputy Sheriffs	<u>5.5</u>	February 1, 2019
Total GF Cost	\$49.3	
 Total GF Cost (all Compensation Actions)	 \$305.5	
<p>⁽¹⁾ Funding calculated using July 1, 2019 start date. Local school divisions provided flexibility as to when pay raise may be applied during biennium.</p> <p>⁽²⁾ Total reflects partial cost offset of \$13.8 million GF due to elimination of a proposal in the introduced budget that the state assume employees' share of state health plan premium increases in each year.</p> <p>⁽³⁾ Assumes savings of \$3.5 million over the biennium due to reduced overtime.</p>		

- **Adjustments to Employee Benefits**

- *Pharmacy Benefit Manager Language.* Includes language directing the Department of Human Resource Management (DHRM) to include in all contracts with third-party administrators of the state employee health plan, on or after July 1, 2018, language that requires the disclosure of drug cost information in employees' explanation of benefits, as well as reporting to DHRM cost information for drug claims incurred by the state employee health plan, including the amount charged by the pharmacy benefit manager for the claim, and the reimbursements made to dispensing pharmacies, and an explanation for any difference in the charge and reimbursement amounts. The DHRM is directed to report to the

Governor and the Chairmen of the Senate Finance and House Appropriations Committees on the implementation of this requirement by October 1, 2018.

- ***Line of Credit Repayment.*** Provides \$992,222 GF the first year for the Department of Human Resource Management to repay costs incurred through a line of credit related to the development of an optional statewide pooled health insurance program for employees of political subdivisions, pursuant to Chapter 512 of the 2016 Acts of Assembly. Sufficient local participation in the program was not achieved, resulting in abandonment of the program, and therefore no mechanism to repay the line of credit was ever established.
- ***Autism Spectrum Disorder Coverage.*** Includes language directing the Department of Human Resource Management to provide coverage for the diagnosis and treatment of autism spectrum disorder for individuals through age 18. Currently, children are covered through age 10.
- ***Adjust Funding for Changes in Employer State Health Plan Rates.*** Adds \$33.7 million GF the first year and \$84.6 million GF the second year to reflect the adjustment in the employer’s share of state employee health plans premiums based on projected growth in health care costs, enrollment updates and actual 2017 health insurance expenditures. The funding amounts represent annual increases of approximately 6 percent in FY 2019 and 8.5 percent in FY 2020.
- ***Adjust Funding for Changes in VRS Contribution Rates.*** Reduces funding by \$6.5 million GF the first year and \$6.8 million GF the second year to reflect the net savings from changes in the state employee retirement plans employer contribution rates.

Adopted Employer Contribution Rates for Retirement Programs			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
VRS (State Employees)	13.49%	13.52%	13.52%
State Police Officers Retirement System (SPORS)	28.54%	24.88%	24.88%
VA Law Officers Retirement System (VALRS)	21.05%	21.61%	21.61%
Judicial Retirement System (JRS)	41.97%	34.39%	34.39%
VRS (Teachers)	16.32%	15.68%	15.68%

- ***Other VRS Provided Benefits.*** Reflects net savings of \$358,285 GF the first year and \$387,658 GF the second year due to changes in costs associated with other

post-employment benefit (OPEB) programs for state employees and state-supported local employees.

Adopted Rates for VRS Administered OPEB Programs*			
(\$ in millions)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Life Insurance – State Employee	1.31%	1.31%	1.31%
VSDP - State Employee	0.66%	0.62%	0.62%
Retiree Health Care Credit – State	1.18%	1.17%	1.17%
Life Insurance Employer Share – Teachers	0.52%	0.52%	0.52%
Retiree Health Care Credit – Teachers	1.23%	1.20%	1.20%

**Rates for FY 2018 reflect approved rates in Chapter 836 of the 2017 Acts of Assembly.*

- **Distributed Agency Support**

- ***Adjust Funding for Cardinal Charges.*** Includes \$1.0 million GF the first year and \$1.3 million GF the second year to provide funding for the general fund share of increases in Cardinal internal service fund charges.
- ***Adjust Funding for Performance Budgeting System Charges.*** Includes \$237,053 GF the first year and \$247,087 GF the second year to provide funding for the GF share of the increases in Performance Budgeting System internal service fund charges.
- ***Adjust Funding for Line of Duty Act Premiums.*** Adds \$1.1 million GF each year to adjust funding to reflect estimated changes in enrollment and the premiums charged for the Line of Duty Act (LODA) program. The annual premium charged per FTE covered position will increase from \$567.37 per FTE to \$705.77 per FTE.
- ***Provide Funding for Workers' Compensation Premiums.*** Provides \$1.8 million GF the first year and \$2.4 million GF the second year to fund workers' compensation premiums based on the latest actuarial report. Beginning in the first year, the premium amounts include the payback of the working capital advance used to settle workers' compensation claims.

2018-20 Central Budget Adjustments

(GF \$ in millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>Total</u>
Cardinal Financial System	\$1.0	\$1.3	\$2.3
Workers Comp Premiums	1.8	2.4	4.2
Line of Duty Act	1.1	1.1	2.2
Performance Budgeting System	0.2	0.2	0.4
Personnel Management Information System	0.0	0.0	0.0
Cardinal Payroll System	2.3	8.9	11.2
Information Technology and Telecommunication (VITA)	<u>23.4</u>	<u>27.1</u>	<u>50.5</u>
Total	\$29.8	\$41.0	\$70.8

- *Adjust Funding for the Personnel Management Information System Charges.* Includes a reduction of \$25,552 GF the first year and an increase of \$4,583 GF the second year to reflect changes to the general fund share of the Personnel Management Information System (PMIS) internal service fund charges.
- *Provide Funding for Cardinal Payroll System Internal Service Fund Charges.* Adds \$2.3 million GF the first year and \$8.9 million GF the second year to reflect the general fund share of internal service fund charges paid by state agencies for the new Cardinal Payroll system, which is allocated based on the number of payroll payments. The new Cardinal Payroll system is expected to be fully implemented by April 2018.
- **Higher Education**
 - *Higher Education Retained Earnings and Credit Card Rebates.* Includes \$6.5 million GF and \$1.9 million NGF each year to provide eligible higher education institutions their proportional share of interest earning and small credit card purchase rebates.
- **Funding for Information Technology Applications**
 - *Adjust Funding for Changes in Information Technology Costs.* Adds \$23.4 million GF the first year and \$27.1 million GF the second year to adjust agencies' funding for the GF share of costs for information technology and telecommunications usage by state agencies based on utilization estimates prepared by the Virginia Information Technologies Agency (VITA), and rates for 2019 and 2020.

- *Adjust Funding to Agencies for Information Technology Auditors and Security Officers.* Provides \$203,893 GF each year to adjust funding to agencies for information technology auditors and security officers based on the most recent update from the Virginia Information Technologies Agency (VITA).
- *Replacement of the Personnel Management Information System (PMIS).* Directs the Department of Human Resource Management and the Virginia Information Technologies Agency to study and submit recommendations for the replacement of the Personnel Management Information System (PMIS) to the Governor by September 1, 2018, who would then identify the appropriate agency to develop, administer and maintain the new system. A capital advance of up to \$25.0 million is provided to support the initial costs of replacing the system, to include planning, development and data configuration.

- **Special and Unanticipated Expenditures**

- *Reduce Funding for Unanticipated Expenditures.* Reduces by \$1.0 million GF each year the amount provided to use for unanticipated expenditures at the Governor’s discretion.
- *Provide Appropriation for the Slavery and Freedom Heritage Project.* Includes \$790,791 GF the first year for expected project expenditures for the City of Richmond to develop the Slavery and Freedom Heritage site, and make improvements to Lumpkin’s Pavilion and the Slave Trail. The action also modifies language in the item to direct the re-appropriation of unexpended general fund balances, as of June 30, 2019, that were appropriated for the purpose of supporting the City of Richmond in the development of the Slavery and Freedom Heritage site. Previously, those unexpended general fund amounts reverted to the general fund. There is a companion action in Chapter 1 of the 2018 Special Session I Acts of Assembly (HB 5001) that provides \$1.2 million GF in anticipated expenditures.