

Central Appropriations

Adopted Adjustments				
(\$ in millions)				
	FY 2017 Adopted		FY 2018 Adopted	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2016-18 Base Budget, Ch. 665	\$160.2	\$119.3	\$160.2	\$119.3
Increases	238.8	1.0	323.2	1.0
Decreases	<u>(259.5)</u>	<u>(0.0)</u>	<u>(260.4)</u>	<u>(0.0)</u>
\$ Net Change	(20.7)	1.0	62.8	1.0
Chapter 780 (HB 30, as Adopted)	\$139.5	\$120.3	\$223.0	\$120.3
% Change	(12.9%)	0.8%	39.2%	0.8%
FTEs	0.00	0.00	0.00	0.00
# Change	0.00	0.00	0.00	0.00

- **Higher Education Academic, Fiscal, and Facility Planning and Coordination**

- *Interest Earnings and Rebates.* Provides \$4.0 million GF each year, and \$1.0 million NGF each year, for higher education institutions related to interest earned on tuition and fees, and other non-general fund Educational and General revenues, as well as credit card purchase rebates. The funds allocated for this purpose will be disbursed once performance benchmarks have been met.

- **Compensation Supplements**

- *Employee Compensation Reserve Fund.* Includes a reserve account of \$69.1 million GF the first year and \$121.1 million GF the second year for a 3 percent compensation adjustment for state employees and a 2 percent compensation adjustment for state-supported local employees. The compensation increases are effective November 10, 2016 for state employees, and December 1, 2016 for state-supported local employees. In addition, the amounts include \$2.3 million GF the first year and \$4.0 million GF the second year for a salary compression initiative for State Police, effective November 10, 2016. The funds will be available for the compensation adjustment and salary compression initiative contingent upon FY 2016 revenues not being more than 1 percent below the official forecast, based on the Comptroller’s preliminary fiscal year-end analysis.

- ***Employer Health Insurance Premium Increases.*** Includes a net increase of \$45.6 million GF in FY 2017 and \$91.7 million GF in FY 2018 to fund the employers' share of the increase in health insurance premiums for the State Employee Health Insurance Program. The funding is based on an estimated 9.6 percent rate increase in FY 2017 and an 8.7 percent increase in FY 2018.

- ***VRS State Plans Employer Contribution Rate Reduction Savings.*** Includes a net reduction in funding for the four state Virginia Retirement System plans of \$10.0 million GF the first year and \$10.5 million GF the second year. The savings is the net result of two actions: 1) The introduced budget included \$11.5 million GF in FY 2017 and \$12.0 million GF in FY 2018 to increase employer retirement contribution rates for the four state employee plans to the VRS up to 100 percent of the VRS Board certified rates two years ahead of the phase-in schedule as specified in Chapter 823 of the 2012 Acts of Assembly, and 2) Chapter 780 of the 2016 Acts of Assembly (HB 30) captured savings of \$21.5 million GF the first year and \$22.5 million GF the second year due to the expedited payback of the employer contribution deferral from the 2010-12 biennium included in Chapter 732 of the 2016 Acts of Assembly (HB 29), a lump-sum payment of \$172.7 million GF was deposited into the VRS Trust Fund in FY 2016 representing the full repayment of the deferred employer retirement contributions.

- Additional funding of \$17.9 million GF the first year and \$67.8 million GF the second year is included under direct aid to public education to increase the retirement contribution rate for the teacher plan to approximately 90 percent of the Board rate in FY 2017 and 100 percent of the Board rate in FY 2018.

Adopted Employer Contribution Rates for Retirement Programs			
	<u>FY 2016</u> ⁽¹⁾	<u>FY 2017</u> ⁽²⁾	<u>FY 2018</u> ⁽²⁾
VRS (State Employees)	14.22 %	13.49 %	13.49 %
State Police Officers Retirement System (SPORS)	27.83	28.54	28.54
Va. Law Officers Retirement System (VALRS)	19.00	21.05	21.05
Judicial Retirement System (SPORS)	50.02	41.97	41.97
VRS (Teachers)	14.06	14.66	16.32
⁽¹⁾ Rates shown for FY 2016 for the state employees plan reflect the rates in effect for the last 11 months of the FY.			
⁽²⁾ FY 2017-18 reflects the reduced rates for the four state employee plans as a result of the early payback of the employer contribution deferral from the 2010-12 biennium.			

- **Other VRS Provided Benefits.** Includes a net increase of \$6.1 million GF in FY 2017 and \$6.3 million GF in FY 2018 to fund 100 percent of the VRS board-certified rates for the OPEB programs (other post-employment benefits) including the group life insurance program, the Virginia Sickness and Disability Program, and the health insurance credit for state employees.
- **Fund for Retiree Health Credit for State Supported Locals.** Includes a net increase of \$661,062 GF each year to fund the state share of the increase in the rates for the retiree health credit for state supported local employees funded through the Compensation Board, the Department of Social Services and the Department of Elections.

Other VRS Benefit Changes			
(\$ in millions)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>Total</u>
Group Life Insurance	\$3.0	\$3.1	\$6.1
Sickness and Disability Program	-0.2	-0.2	-0.4
Retiree Health Care Credit	3.3	3.4	6.7
Retiree Health Care Credit - Local	<u>0.7</u>	<u>0.7</u>	<u>1.4</u>
Total	\$6.8	\$7.0	\$13.8

- **Funding for Information Technology Issues**

- **Adjust Funding for Changes in Agency Information Technology Costs.** Includes \$5.3 million GF in FY 2017 and \$2.9 million GF in FY 2018 to reflect projected increases in information technology and telecommunications costs within the agencies. The funding is less in FY 2018 compared to FY 2017 reflecting expenditure decreases expected to occur as VITA transitions from the current outsourcing contract.
- **Funding for Agencies to Support Information Technology Auditors and Security Officers.** Provides \$3.0 million GF in FY 2017 and \$3.2 million GF in FY 2018 to support agencies in their efforts to comply with the new information security standard (SEC-501). Agencies will have the option of either accessing the funds to

comply with the standards in-house or to participate in VITA's new shared security service center.

- ***Provide IT Contingency Funding for the State Police.*** Provides \$5.0 million GF in FY 2017 to be set aside as contingency funding for the State Police to address any unanticipated costs associated with mitigating security threats, information technology security gaps and to ensure adequate storage for data stored on IT systems. The funding is contingent upon the development of a prioritized list of information technology projects by state police to be delivered to the Chairmen of the House Appropriations and Senate Finance Committees no later than August 15, 2016.
- ***VITA Information Technology Services Transition Funding.*** Provides \$631,326 GF the second year for the general fund cost share of the Virginia Information Technologies Agency's anticipated costs of transitioning certain information technology services.

- **Special Expenditures**

- ***Slavery and Freedom Heritage Site.*** Provides up to \$2.0 million GF in FY 2017 from unexpended balances as of June 30, 2016 appropriated for the Slavery and Freedom Heritage Site for the planning, design, and construction of the Pavilion at Lumpkin's Jail, improvements to the Richmond Slave Trail, and planning and design of a slavery museum. Prior to the release of any state funding, the City of Richmond is required to dedicate contiguous real estate for the project and provide \$5.0 million in local matching funds.
- ***Provide Additional Funding for Economic Contingency.*** Includes \$500,000 GF each year for unbudgeted economic contingencies.
- ***Provide Relief to Localities for Tornado Damage.*** Provides relief of a sum-sufficient amount to localities for qualifying damages resulting from the tornadoes of February 24, 2016. The funds are to be derived from the unexpended balances of the general fund and distributed in accordance with § 44-146.28, *Code of Virginia*.
- ***Incentive Packages for Researchers, Research Equipment and Lab Renovations.*** Provides \$8.0 million GF the first year for one-time incentive packages to attract high performing researchers, renovate research labs, and acquire research equipment in partnership with INOVA and other institutions and private sector entities.

- **Distributed Agency Support**

- *Central Budget Adjustments.* Proposed budget includes amendments adjusting the appropriations for state agencies and institutions to reflect the impact of proposed rates for: 1) the Cardinal Financial system, 2) state employee workers compensation premiums, and 3) the Line of Duty Act program.

2016-18 Central Budget Adjustments			
(GF \$ in millions)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>Total</u>
Cardinal Financial System	\$4.10	\$4.30	\$8.40
Workers Comp Premiums	(1.40)	(1.00)	(2.40)
Line of Duty Act	(0.09)	(0.09)	(0.09)
Total	\$2.60	\$3.30	\$5.90