

Central Appropriations

Proposed Adjustments as Introduced				
(\$ in millions)				
	FY 2015 Proposed		FY 2016 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2014-16 Base Budget, Ch. 806	\$251.0	\$89.3	\$251.0	\$89.3
Proposed increases	132.9	33.3	157.7	33.3
Proposed decreases	<u>(246.2)</u>	<u>(1.9)</u>	<u>(246.4)</u>	<u>(2.0)</u>
\$ Net Change	(113.2)	31.4	(88.7)	31.3.0
HB/SB 30, as Introduced	\$137.7	\$120.7	\$162.3	\$89.3
% Change	(45.1%)	35.1%	(35.3%)	35.0%
FTEs	0.00	0.00	0.00	0.00
# Change	0.00	0.00	0.00	0.00

- **Higher Education Interest**

- *Higher Education Interest and Charge Card Rebates.* Proposes to provide \$5.5 million GF in both FY 2015 and FY 2016, a reduction of \$0.1 million GF in each year from FY 2014, for payments to institutions of higher education for interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases. The proposed amounts reflect revised estimates of program amounts.

- **Distributed Agency Support**

- *Central Service Adjustments.* Net increases totaling \$2.8 million GF in FY 2015 and \$3.6 million GF in FY 2016 have been proposed for inclusion directly in the base budgets of state agencies and institutions for: 1) DGS rent charges at the seat of government, 2) state employee workers compensation premiums, and 3) auto insurance liability.

2014-16 Central Service Adjustments (\$ in millions)			
	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>
DGS Rent	\$0.8	\$1.2	\$2.0
Workers Comp Premiums	1.4	1.8	3.2
Auto Insurance Liability	<u>0.6</u>	<u>0.6</u>	<u>1.3</u>
Total	\$2.8	\$3.6	\$6.5

- **Cardinal Accounting System Rates.** Proposes distributed agency adjustments of \$0.6 million GF in FY 2015 and \$1.7 million in FY 2016 for agency costs related to implementation of the Cardinal accounting system.
- **Performance Budgeting System Rates.** Recommends \$1.6 million GF in FY 2015 and \$1.6 million GF in FY 2016 in the amounts distributed directly to agencies for the costs of operating the Performance Budgeting System.
- **Contractual VITA Rate Adjustments.** Proposes a net increase of \$0.4 million GF in FY 2015 and \$5.0 million GF in FY 2016 in the amounts distributed directly to agencies to assist in addressing the increases in the costs of information technology services charged by the Virginia Information Technologies Agency (VITA). These rate changes are discussed in greater detail under the Technology section of this document.

2014-16 Distributed Technology Costs (\$ in millions)			
	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>
Cardinal	\$0.6	\$1.7	\$2.3
Performance Budgeting	1.6	1.6	3.2
VITA Contract COLA Adjustments	<u>0.4</u>	<u>5.0</u>	<u>5.4</u>
Total	\$2.6	\$8.3	\$10.9

- **Compensation Supplements**

- **Address High-Turnover Positions.** Proposes \$9.0 million GF in FY 2015 and \$11.1 million GF in FY 2016 to provide targeted, 2 percent, base compensation adjustments to 19 employee classes in the judicial, public safety, and health care fields that have the highest turnover levels. Included within the FY 2016 amount is \$0.8 million GF for an update of the JLARC total compensation study. The proposal implements the recommendations of the State Employee Compensation Work Group established in Chapter 806.

FY 2014-16 Targeted Compensation	
Law Enforcement Officer I	Registered Nurse I
Security Officer I	Registered Nurse II/ Nurse Practitioner
Security Officer II	Licensed Practical Nurse
Direct Service Associate I	Therapy Assistant / Therapist I
Direct Service Associate II	Therapist II
Direct Service Associate III	Compliance/Safety Officer II
Housekeep and/or Apparel Worker I	District Court Deputy Clerk, Grade 6
Probation Officer Assistant	District Court Deputy Clerk, Grade 7
Emergency Coordinator I	District Court Deputy Clerk, Grade 8
Emergency Coordinator II	

- **Employee Bonus.** Proposes a one-time bonus payment equal to 2 percent of base pay on December 1, 2014, for all employees of the Commonwealth, except elected officials, who were employed on April 1, 2014, and who continue employment until at least November 24, 2014. Employees eligible to receive a bonus payment under this action must “meet expectations” on annual performance evaluations. This bonus is contingent on a June 30, 2014 discretionary general fund balance being at least \$107.8 million GF, twice the estimated cost of then 2 percent bonus of \$53.9 million GF. This approach is similar to the one used to implement a one-time 3 percent FY 2012 bonus. Employee evaluation terminology included in the introduced bill is no longer in use and would need to be amended if bonus language is in final Appropriation Act.
- **Performance Bonus.** Proposes a one-time bonus payment equal to 1 percent of base pay on December 1, 2014 for those employees that “exceed expectations” on annual performance evaluations. This phase of the bonus is contingent an additional discretionary general fund balance, as of June 30, 2014, of \$7.0 million, twice the estimated cost of the additional 1 percent bonus for employees who meet

the benchmark evaluation. Employee evaluation terminology included in the introduced bill is no longer in use and would need to be amended if bonus language is in final Appropriation Act.

- **Employer Health Insurance Premium Increases.** Proposes a net increase of \$24.6 million GF in FY 2015 and \$59.3 million GF in FY 2014 to fund the employers' share of the increase in health insurance premiums for the State employee Health Insurance Program and the University of Virginia Health Insurance program.

2014-16 Health Insurance Increases			
(\$ millions GF)			
	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>
State Health Insurance Program	\$24.3	\$58.9	\$ 83.2
UVa Health Insurance Plan	<u>0.3</u>	<u>0.3</u>	<u>0.7</u>
Total	\$24.6	\$59.3	\$83.8

These increases are attributable to rebuilding of the Incurred But Not Reported (IBNR) reserve, waiving Tier 1 and 2 co-pays for asthma and antihypertensive medications, and establishing an on-site state employee clinic near Capitol Square. This proposed increase is partially offset by \$4.9 million GF in plan savings from three actions: 1) increasing co-pays by \$5 for Tier 2 to 4 prescriptions filled at retail, 2) increasing co-pays by \$10 for prescriptions filled by mail, and 3) and Value Based Insurance Design plan changes.

- **Employer Retirement Contribution Rates.** Proposes \$48.8 million GF in FY 2015 and \$48.8 million GF in FY 2016 for increased employer retirement contribution rates to the Virginia Retirement System. The proposed retirement rates are based on the scheduled phase-in of the VRS Board certified rates as specified in Chapter 823 of the 2012 Acts of Assembly. The rates and the general fund impact by retirement plan are shown in the table below.

Proposed Employer Retirement Contribution Rates
(\$ in millions)

	<u>VRS Rate</u>	<u>FY 2015</u>	<u>FY 2016</u>
VRS (State Employees)	12.33%	\$58.5	\$58.5
State Police Officers Retirement System (SPORS)	27.63%	\$2.6	\$2.6
Va. Law Officers Retirement System (VALRS)	18.24%	\$10.7	\$10.7
Judicial Retirement System (SPORS)	51.66%	\$3.8	\$3.8
VRS (Teachers) *	14.50%	80.7	\$81.9

* Funding for Teachers is included under Direct Aid for Education, not Central Appropriations.

- **Other VRS Provided Benefits.** Proposes a net increase of \$11.7 million GF in each year for changes the employer premiums for state employee group life insurance, the Virginia Sickness and Disability Program, and the state employee health insurance credit for both state and state supported local retirees.

Other VRS Benefit Changes
(\$ in millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>
Group Life Insurance	\$3.5	\$3.5	\$ 7.0
Sickness and Disability Program	3.1	3.1	6.2
Retiree Health Care Credit	4.3	4.3	8.6
Retiree Health Care Credit - Local	<u>1.2</u>	<u>1.2</u>	<u>2.4</u>
Total	\$11.7	\$11.7	\$23.4

- **State Agency Reductions**

- *Agency Savings Strategies.* Proposes to capture savings of \$3.4 million GF in FY 2015 and \$3.7 million GF in FY 2016 from the implementation of savings strategies across 23 line agencies.

FY 2014-FY 2016 Proposed Agency Savings Strategies (GF)				
<u>Agency</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>	
Department of General Services	\$298,177	\$298,177	\$596,354	
Department of Human Resource Management	11,095	11,095	22,190	
Department of Elections	25,344	25,344	50,688	
Department of Agriculture and Consumer Services	282,000	282,000	564,000	
Department of Forestry	20,000	20,000	40,000	
Department of Small Business and Supplier Diversity	500,000	500,000	1,000,000	
Department of Housing and Community Development	70,000	70,000	140,000	
Department of Mines, Minerals and Energy	134,754	134,754	269,508	
Virginia Economic Development Partnership	297,532	297,532	595,064	
Virginia Tourism Authority	75,000	75,000	150,000	
Jamestown-Yorktown Foundation	61,000	61,000	122,000	
Virginia Museum of Fine Arts	86,141	86,141	172,282	
Department of Taxation	85,000	175,000	260,000	
Department of Health	115,000	240,000	355,000	
Department of Behavioral Health and Developmental Services	432,856	476,806	909,662	
Department for Aging and Rehabilitative Services	20,000	20,000	40,000	
Woodrow Wilson Rehabilitation Center	194,278	194,278	388,556	
Department for the Blind and Vision Impaired	62,508	62,508	125,016	
Department of Conservation and Recreation	249,624	249,624	499,248	
Department of Historic Resources	132,404	132,404	264,808	
Marine Resources Commission	144,520	144,520	289,040	
Department of Emergency Management	29,916	47,916	77,832	
Innovation and Entrepreneurship Investment Authority	<u>95,650</u>	<u>95,650</u>	<u>191,300</u>	
Total	\$3,422,799	\$3,699,749	\$7,122,548	

- **Special Expenditures**

- *Continue Federal Action Contingency Trust Fund.* Proposes to retain \$11.3 million in GF balances to address future federal budget reductions. From these amounts, recommended allocations include \$4.4 million GF to address encroachment issues at the US Navy Master Jet Base Oceana and auxiliary landing field, and \$1.6

million GF for the research and development of unmanned systems. The remaining balance of \$5.3 million is available for distribution by the Governor and the FACT Fund Advisory Commission

- ***Slavery and Freedom Heritage Site.*** Proposes \$11.0 million GF in FY 2015 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.
- ***Relocation of Department of Small Business and Supplier Diversity.*** Proposes \$1.0 million GF in FY 2015 for the costs incurred by the Department of General Services in relocating the newly merged Department of Small Business and Supplier Diversity from private-lease space to a state-owned facility.