

Central Appropriations

Adopted Adjustments				
(\$ in millions)				
	FY 2013		FY 2014	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Current Budget (Ch. 3, 2012 Special Session I)	\$35.4	\$89.3	\$105.9	\$89.3
Approved Increases	2.4	0.0	150.4	0.01
Approved Decreases	<u>(3.3)</u>	<u>(0.0)</u>	<u>(5.3)</u>	<u>(0.0)</u>
\$ Net Change	(0.8)	0.0	145.1	0.01
Chapter 806 (HB 1500, as Adopted)	\$34.5	\$89.3	\$251.0	\$89.3
% Change	(2.4%)	0.0%	137.0%	0.0%
FTEs	2.00	0.00	0.00	0.00
# Change	0.00	0.00	(2.00)	0.00

- **State and Local Reversions**
 - *Local Aid Reversions.* Includes \$45.0 million GF the second year to eliminate the Local Aid Reversion beginning in FY 2014.
 - *Higher Education Reversions.* Provides \$5.7 million GF the second year to eliminate higher education institutions' share of planned turnover and vacancy reversions in FY 2014.
- **Employee Compensation and Benefits**
 - *Salary Adjustment Actions.* Provides an additional \$24.7 million GF in funding for state employee compensation actions in the second year. This funding is the net of two actions. The budget includes \$26.6 million GF to address salary compression issues based on years of service for employees that have at least five years of continuous service with the Commonwealth. This includes \$65 per year of service for full-time employees and \$70 per year of service for sworn employees of the Department of State Police. The year of service enhancement is capped at 30 years. This is in addition to the 2 percent across-the-board salary increase that was

included in Chapter 3 of the 2012 Acts of Assembly, Special Session I. In order to provide consistent timing in the provision of these salary enhancements, the effective date for all actions is July 25, 2013 reflected in the employees August 16, 2013 paycheck. The budget reflects \$1.9 million GF in savings from moving the 2 percent salary adjustment to July 25 to coincide with the salary compression adjustment. Employee compensation actions for all classes of state and state supported local positions in FY 2014 totals \$199.5 million GF.

Cumulative Funding for Employee Compensation (\$ millions GF)	
	<u>FY 2014</u>
2% Across-the-Board* – Classified	\$37.2
Compression Adjustments	26.6
2% State Supported Locals	23.8
Assistant Commonwealth Attorneys	2.1
2% K-12 Teachers and Support	70.2
K-12 Strategic Compensation	7.5
College Faculty* – up to 3%	<u>24.8</u>
Total	\$199.5
<i>*Includes amounts initially authorized in Chapter 3 (2012).</i>	

- ***Adjustment to Employee Pay Bands.*** Includes language directing the Department of Human Resource Management to adjust the Commonwealth’s Classified Compensation Plan maximum salary pay bands based on the 5 percent salary increase approved in 2011, the 2 percent salary increase approved in 2012, as well as the compression adjustments authorized in 2013.
- ***Employer Health Insurance Premium Increases.*** Provides a net increase of \$57.9 million GF the second year to fund the employers’ share of the increase in health insurance premiums for the State Employee Health Insurance program. The actions include \$69.7 million GF to fund a base premium increase, which eliminates the remaining subsidy from the Health Insurance Fund (HIF), funds projected health care inflation, and funds the first year of a five year schedule to replenish the HIF to ensure balances are at least equal to the incurred but not reported level. The funding for the premium increase is then reduced by \$11.9

million to reflect premium savings achieved during the rate negotiation process and \$420,000 GF in savings from increasing the co-payment for emergency room visits from \$125 to \$150. Additionally, \$454,560 GF is provided the second year to cover the state share of premium increases for Commonwealth employees that are covered under the University of Virginia’s health care plan.

Based on the adopted funding, premiums for state employees in COVA Care would increase by close to 14 percent in FY 2014 and the rates for COBRA and early retirees would increase close to 15 percent. In addition, a language amendment in Part 3 increases the health insurance line of credit from \$50.0 million GF to \$150.0 million GF.

Changes to Employee Health Benefits (\$ millions GF)	
	<u>FY 2014</u>
GF Share of Premium Increase	\$69.7
Capture Savings from Rate Negotiation	(11.9)
Increased ER Co-payment	(0.4)
Funding for UVA Rate Adjustment	<u>0.5</u>
Total	\$57.9

- ***Reserved Funding for VRS Repayment.*** Contains language directing that up to the first \$100.0 million of any FY 2013 general fund revenue surplus amounts that are not required to meet Revenue Stabilization, Water Quality or FACT Fund deposits be reserved on the books of the Comptroller for payment to the Virginia Retirement System for prepayment of the 2014-16 biennial installment of the ten-year payback of retirement contributions deferred in the 2010-12 biennium.
- ***Workforce Transition Act Costs.*** Adjusts language related to the use of Virginia Retirement System liability to fund the costs of employees involuntarily separated from employment with the Commonwealth by requiring that this funding approach can only be used in cases of budget reduction, agency reorganization, or federal reductions. Both the Directors of Planning and Budget and Human Resources Management are required to certify any action taken under this policy. All other involuntary separation costs are to be borne by the responsible agency.

- *Line of Duty Act.* A technical amendment removes the \$1.7 million GF appropriated within Central Appropriations in FY 2014 to support premiums charged for the Line of Duty Benefit. Adjustments in the individual agencies with employees eligible for the Line of Duty benefits provide a total of \$3.4 million GF in additional funding for the agencies. This funding includes the \$1.7 million GF included in Central Appropriations in Chapter 3 of the 2012 Acts of Assembly, Special Session I, and an additional \$1.7 million GF. A companion amendment authorizes localities to use local funding to provide line of duty benefits and removes a requirement that this money be deposited to the Line of Duty Act Fund.
- **Higher Education Interest Earnings and Credit Card Rebates**
 - *Higher Education Interest and Charge Card Rebates.* Includes an increase of \$2.4 million GF the first year and \$1.8 million GF the second year 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. These increases reflect current estimates of program amounts.
- **Transition Support**
 - *Workforce Transition Cost – Governor’s & Cabinet Offices.* Provides \$3.2 million GF the second year for the Economic Contingency Fund with the majority of the funding, \$2.4 million, being earmarked to address the estimated severance cost for staff in the Governor’s executive and cabinet offices. This estimate does not include any cost which would be incurred as a result of any turnover within the state agencies, which would be absorbed within the individual agencies.
 - *Funding to Support Transition Team Expenses.* Includes \$594,650 million GF the second year for expenses that will be incurred by the Office of the Secretary of Administration, the Department of General Services, and the Virginia Information Technology Services Agency as they provide support services to transition teams for the incoming Governor, Lieutenant Governor, and Attorney General.

Adopted Funding for Gubernatorial Transition Costs
(\$ millions GF)

	<u>FY 2014</u>
Workforce Transition Cost – Gov’s & Cabinet Offices	\$3.2
Funding to Support Transition Team Expenses	0.6
Inaugural Expenses	<u>0.3</u>
Total	\$4.1

- *Inaugural Expenses.* Includes \$282,700 GF the second year to fund expenses that will be incurred for the January 2014 inauguration. The amendments also provide \$40,000 GF to address the anticipated inauguration’s expenses related to General Assembly staffing costs.

- **Economic Contingency**

- *Federal Action Contingency Trust (FACT) Fund.* Increases controls on the discretionary uses of the FACT Fund established in FY 2012 to require that funding can be only used to offset the potential loss of revenue to the Commonwealth resulting from federal budget reductions or actions for mitigating encroachment issues around U.S. Navy Master Jet Base or a U.S. Air Force Base. Additionally, language is included that would allow for a portion of these funds to be used for the development of strategies to prevent or limit the adverse economic impacts of closure, relocation, or realignment of federal installations located in Virginia and for remedial efforts to promote economic growth in jurisdictions that are adversely affected by base realignment decisions of the federal government.
- *Authorize Additional Use of the Economic Contingency Fund.* Includes a language amendment to include payments from the Fraud and Abuse Whistle Blower Reward Fund awards to the list of purposes for which the Governor may access the economic contingency fund. The awards are capped at \$5,000.

- **Undistributed Support**

- *Capture FY 2013 Unobligated Funding.* Reflects savings of \$1.1 million GF the first year from funds that were appropriated for disbursement to agencies for employee benefits, primarily employee health insurance, and for charges for the performance budgeting system. The final FY 2013 distributions were slightly less than the appropriation included in Chapter 3 of the 2012 Acts of Assembly, Special Session I.
- *Provide Funding to State Agencies for General Fund Cost of Cardinal Financial System.* Provides \$215,101 GF the second year to distribute to agencies that are expected to be phased into the new Cardinal financial system in FY 2014. Expenses for the system are expected to increase significantly in FY 2015 as the system becomes operational for all agencies.
- *Eliminate Central Reversion Related to Agency Reorganizations.* Includes \$2.0 million GF the second year to eliminate the reversion included in Chapter 3 to capture savings from the elimination or consolidation of selected agencies, boards, and commissions pursuant to the pursuant to Chapters 803 and 835 of the 2012 Acts of Assembly. These savings have been captured through individual agency amendments.
- *Eliminate the Capture of Second Year Information Technology Savings.* Includes \$415,616 GF the second year to eliminate the reversion included in Chapter 3 from the reduction in information technology overhead costs. Individual amendments within the agencies have been included to reflect current costs.
- *Remove Funding for Phone Systems and Increased Information Technology Costs.* Reduces funding included for disbursement to agencies for phone system replacement and VITA costs in the first year by \$2.1 million GF, to reflect that actual disbursements were \$4.0 million as opposed to the \$6.1 million GF appropriated in Chapter 3. The amendment eliminates all of the \$3.2 million GF appropriated for disbursements in the second year. Individual amendments within the agencies have been included to reflect FY 2014 costs.

- **Administration of Government**

- *Manpower Control Programs.* Caps the number of hours that any wage employee in the employment of the Commonwealth, or its independent agencies can work at a maximum of 29 hours per week over a 12 month period. The language clarifies that instructional and administrative hours worked in higher education agencies are additive, and cannot exceed 75 percent of non-tenure-track teaching faculty hours. Clarification is provided to establish the Commonwealth's position that each individual agency is viewed as the employer for purposes of

determining fiduciary responsibility and that each agency is responsible for any penalty costs associated with exceeding this cap. Additionally, the employees of state teaching hospitals that provide their own health insurance plan are authorized to be included in the independent health plan, provided the institution absorbs any additional cost. The Affordable Care Act requires all employers to provide health care benefits to any individual working 30 hours per week or greater, and the Internal Revenue Service is in the process of developing implementation guidelines. It is estimated that the cost of providing health care coverage to the existing pool of wage employees to be approximately \$110.0 million.