

Central Appropriations

| Adopted Adjustments | | | | |
|--|------------------------|----------------|------------------------|----------------|
| (\$ in millions) | | | | |
| | FY 2015 Adopted | | FY 2016 Adopted | |
| | <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 |
| Increases | 596.0 | 33.3 | 535.4 | 33.3 |
| Decreases | <u>(254.3)</u> | <u>(3.2)</u> | <u>(256.4)</u> | <u>(3.3)</u> |
| \$ Net Change | 341.7 | 30.1 | 279.0 | 30.0 |
| Chapter 2 (HB 5002, as Adopted) | \$592.7 | \$119.4 | \$530.0 | \$119.3 |
| % Change | 136.1% | 33.7% | 111.2% | 33.6% |

- **Higher Education Related Action**

- *Eliminate Higher Education Interest Earnings and Credit Card Rebates.* Eliminates funding of \$5.5 million GF and \$1.2 million NGF (Higher Education Operating) each year that went to higher education institutions for interest on earnings for Educational and General Revenues and credit card rebates from purchasing cards. Institutions received these benefits under Restructuring (legislation that resulted from decentralization and additional autonomy efforts) as long as they met certain performance metrics. Additional language action is taken In Part 3 because the Level III institutions no longer have to deposit these funds with the State. Therefore, this action was required to forfeit the interest on these funds. The action captures the \$1.2 million NGF referenced above.
- *In-state Undergraduate Seats and Operation and Maintenance Funding.* Includes about \$5.1 million GF each year of the biennium for in-state undergraduate seats and operation and maintenance funding under Central Appropriations. Within this amount, \$3.1 million GF per year is for the continued expansion of in-state undergraduate seats at the College of William and Mary, the University of Virginia, James Madison University, and Virginia Tech. The remaining \$2.0 million GF per year is for operation and maintenance funding at the New College Institute, Southwest Virginia Higher Education Center, Southern Virginia Higher

Education Center, Roanoke Higher Education Center, and the Virginia Tech Extension. The tables below provide detailed amounts by institution or agency.

| In-State Undergraduate Seats – GF Amounts by Fiscal Year | | |
|---|--------------------|--------------------|
| <u>Institution</u> | <u>FY 2015</u> | <u>FY 2016</u> |
| College of William & Mary | \$440,000 | \$440,000 |
| University of Virginia | 860,000 | 860,000 |
| James Madison University | 1,200,000 | 1,200,000 |
| Virginia Tech | <u>600,000</u> | <u>600,000</u> |
| Total | \$3,100,000 | \$3,100,000 |

| Operations and Maintenance GF Amounts by Fiscal Year | | |
|---|--------------------|--------------------|
| <u>Agency</u> | <u>FY 2015</u> | <u>FY 2016</u> |
| New College Institute | \$440,037 | \$440,037 |
| Southwest Virginia Higher Education Center | 95,327 | 95,327 |
| Southern Virginia Higher Education Center | 150,000 | 150,000 |
| Roanoke Higher Education Authority | 150,000 | 150,000 |
| Virginia Tech Extension | <u>1,149,966</u> | <u>1,173,129</u> |
| Total | \$1,985,330 | \$2,008,493 |

- *Higher Education Revenue Reserve Fund.* Appropriates \$20.0 million GF in the second year under for an undistributed Higher Education Reserve Fund as part of the economic contingency funding.

- **Distributed Agency Support**

- *Central Service Adjustments.* Net increases totaling \$2.8 million GF in FY 2015 and \$3.6 million GF in FY 2016 are included directly in the base budgets of state agencies and institutions for DGS rent charges at the seat of government, state employee workers compensation premiums, and 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.** Provides 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.** Provides \$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.** Includes 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 |

- **VITA Rate Assumptions.** Includes a savings of \$1.7 million GF in the first year and \$3.6 million GF in the second year from the general fund appropriation to state agencies and institutions of higher education, representing savings resulting from the estimated usage of contractual technology services consumed by state agencies.
- **Employer Health Insurance Premium Increases.** Includes a net increase of \$24.6 million GF in FY 2015 and \$59.3 million GF in FY 2016 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.** Includes \$72.2 million GF in FY 2015 and \$72.2 million GF in FY 2016 for increased employer retirement contribution rates to the Virginia Retirement System. The 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.

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) | 25.82% | 1.0 | 1.0 |
| Va. Law Officers Retirement System (VaLORS) | 17.67% | 8.9 | 8.9 |
| 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.

- **Language.** Specifies that the Board shall treat any lump-sum, deposits into the retirement system as an expedited repayment of the 2010-12 *deferred contributions for the appropriate system.*
- **Other VRS Provided Benefits.** Provides a net increase of \$4.2 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. The rates are funded at 90 percent of the Board-certified rates consistent with the phase-in schedule for the VRS rates for the retirement plans.
- **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 22 line agencies.

FY 2014-FY 2016 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 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 | \$3,352,799 | \$3,629,749 | \$6,982,548 |

- **Special Expenditures**

- *Continue Federal Action Contingency Trust Fund.* Retains \$6.0 million in GF balances to address future federal budget reductions. From these amounts, \$1.6 million GF is recommended for the research and development of unmanned systems. The remaining balance of \$4.4 million is available for distribution by the Governor upon the review and recommendation of the FACT Fund Advisory Commission.
- *Slavery and Freedom Heritage Site.* Provides \$2.0 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.* Includes \$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.

- **Economic Contingency and Other Actions**

- *Appropriated Revenue Reserve Fund.* Chapter 2 of the 2014 Acts of Assembly (HB 5002) includes an appropriation of \$480.0 million GF the first year and \$362.5 million GF the second year for the creation of an Appropriated Revenue Reserve Fund. The Governor is prohibited from drawing any warrants for payment from the Fund, and is required to submit to the Chairmen of the House Appropriations and Senate Finance Committees a plan to address any shortfall in revenues in the event that an official revenue reforecast is required for FY 2015. The legislative intent of the Fund is to provide an appropriated cushion against any potential downturn in state general fund revenues in either in FY 2015 or FY 2016 and capture expenditure reductions against HB 5002, as introduced.
- *Reduce Miscellaneous Economic Contingency Funding.* Realizes savings of \$950,000 GF in each year from a reduction in in funding to general economic contingency account to \$1.5 million each year. The appropriation in this fund was increased in FY 2014 for one-time expenditures related to the transition of administrations.