

Central Appropriations

Proposed Adjustments as Introduced				
(\$ in millions)				
	FY 2017 Proposed		FY 2018 Proposed	
	<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
Proposed Increases	0.0	32.2	58.6	162.8
Proposed Decreases	(44.4)	(0.0)	(0.0)	(0.0)
\$ Net Change	(44.4)	32.2	58.6	162.8
HB/SB 30, as Introduced	\$115.9	\$151.5	\$218.9	\$282.1
% Change	(27.7%)	26.9%	35.5%	136.4%
FTEs	0.00	0.00	0.00	0.00
# Change	0.00	0.00	0.00	0.00

- **Compensation Supplements**

- *Employee Compensation Reserve Fund.* Proposes a reserve account of \$76.2 million GF the second year to provide for compensation adjustments to state and state-supported local employees. The funds will be available for a 2 percent compensation adjustment contingent upon the FY 2017 revenues not being more than 1 percent below the official forecast. The compensation increases would be effective July 10, 2017 for state employees and August 1, 2017 for state-supported local employees.
- *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 proposed funding is based on an assumed 9.6 percent rate increase in FY 2017 and an 8.7 percent increase in FY 2018.
- *Fund Employee Share of Health Insurance Increase.* Includes \$5.9 million GF the first year to fund for one year the portion of the FY 2017 health insurance increase that is normally applied as the employee share. Under the introduced budget, employees will not receive a salary increase until FY 2018 at which point the

employee share for the health insurance program will be adjusted to reflect the premium increases for both FY 2017 and 2018.

- **Employer Retirement Contribution Rates.** Proposes \$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 Virginia Retirement System 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.

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.

Proposed Employer Contribution Rates for Retirement Programs

	<u>FY 2016 *</u>	<u>FY 2017</u>	<u>FY 2018</u>
VRS (State Employees)	14.22%	14.46%	14.46%
State Police Officers Retirement System (SPORS)	27.83	28.99	28.99
Va. Law Officers Retirement System (VALRS)	19.00	22.21	22.21
Judicial Retirement System (SPORS)	50.02	45.15	45.15
VRS (Teachers)	14.06	14.66	16.32

* Rates shown for FY 2016 for the state employees plan reflect the rates in effect for the last 11 months of the FY.

- **Other VRS Provided Benefits.** Proposes 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 in 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 some expenditure decreases expected to occur as VITA transitions from the current outsourcing contract.
- *Funding for Agencies to Support Information Technology Auditors and Security Officers.* Proposes \$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.* Proposes \$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.

- **Special Expenditures**

- *Slavery and Freedom Heritage Site.* Provides \$2.0 million GF in FY 2017 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. Language and funding mirrors the item included in the budget for the 2014-16 biennium for the project.
- *Provide Additional Funding for Economic Contingency.* Proposes \$500,000 GF each year for unbudgeted economic contingencies.
- *Allocate Funding from Savings Related to Medicaid Expansion.* Allocates \$28.1 million GF the first year and \$23.1 million GF from savings assumed from proposed Medicaid expansion to several initiatives as shown in the table below. In addition to the spending allocated under the central appropriations item, language is included which links a reduction in front page GF revenues of \$31.1 million GF in FY 2017 and \$74.6 million GF in FY 2018 from proposed tax policy changes to savings from Medicaid expansion.

Language is also included in Central Appropriations providing the Department of Medical Assistance Services with authority to impose an assessment on private acute care hospitals operating in Virginia not to exceed 3 percent of a hospital’s annual net patient revenue. The revenues from the assessment would be collected and deposited into the Virginia Health Care Fund and used to (i) recover the non-federal costs to the Commonwealth to cover future costs of Medicaid expansion; (ii) increase payments to hospitals, including rural hospitals; (iii) increase funds for graduate medical education; and (iv) cover the cost of administering the assessment. Specific allocations and amounts estimated from this action are not set out in budget language. However, it is anticipated that the assessment will generate approximately \$443.4 million over the biennium.

Included in the central appropriations item is a proposed appropriation of \$32.1 million NGF the first year and \$162.8 million NGF the second year from the Virginia Health Care Fund.

Allocation of GF Funds From Medicaid Expansion Savings
(\$ in millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>Total</u>
GoVa Grants - Per Capita	\$0	\$6.2	\$6.2
GoVa Grants – Competitive Grants	0.0	6.7	6.7
Comm. Center for Adv. Manufacturing	2.0	2.0	4.0
Establish Global Genomics & Bioinformation Research Institute	16.0	0.0	16.0
Massey Cancer Center	5.5	3.0	8.5
Jamestown-Yorktown 2019 Celebration	1.5	1.5	3.0
DSS to Extend Unisys Mainframe for 1 yr.	<u>3.0</u>	<u>3.7</u>	<u>6.7</u>
Total	\$28.0	\$23.1	\$51.1

- **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	\$4.1	\$4.3	\$8.4
Workers Comp Premiums	(1.4)	(1.0)	(2.4)
Line of Duty Act	<u>(0.09)</u>	<u>(0.09)</u>	<u>(0.09)</u>
Total	\$2.6	\$3.3	\$5.9