

Central Appropriations

Proposed Adjustments as Introduced				
(\$ in millions)				
	FY 2021 Proposed		FY 2022 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2018-20 Current Budget, Ch. 854	\$273.1	\$122.9	\$273.1	\$122.9
Proposed Increases	232.8	1.7	275.9	1.7
Proposed Decreases	(298.9)	(50.0)	(294.7)	(50.0)
\$ Net Change	(66.1)	(48.3)	(18.7)	(48.3)
HB/SB 30, as Introduced	\$207.0	\$74.6	\$254.3	\$74.6
% Change	(24.2%)	(39.3%)	(6.7%)	(39.3%)
FTEs	0.00	0.00	0.00	0.00
# Change	0.00	0.00	0.00	0.00

- **Compensation Supplements**

- *Adjust Funding for State Employee Retirement Costs.* Recommends \$15.7 million GF the first year and \$16.4 million GF the second year for changes in employer contribution rates for state employee retirement plans, approved by the Virginia Retirement System Board of Trustees. The funding and rates assumed in the budget reflect the actuarial valuation, which assumed a reduction in the long term rate of return from 7 percent to 6.75 percent, pursuant to VRS Board action this fall.
- *Adjust Funding for State Health Plan Premiums.* Recommends \$12.7 million GF the first year and \$53.9 million GF the second year for the employer share of health insurance premium cost increases. The funding reflects estimated increases of 2.4 percent the first year and 6.7 percent the second year based on projected growth in health care costs, enrollment updates, and actual 2019 healthcare claims expenditures.
- *Provide Premium Increase for UVA Health Insurance Plan.* Includes \$479,937 GF each year to cover the general fund portion of premium increases for the University of Virginia’s Health Insurance Program.

Proposed Employer Contribution Rates for Retirement Programs*

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
VRS (State Employees)	13.52%	14.46%	14.46%
State Police Officers Retirement System (SPORS)	24.88%	26.26%	26.26%
VA Law Officers Retirement System (VALRS)	21.61%	21.88%	21.88%
Judicial Retirement System (JRS)	34.39%	29.84%	29.84%
VRS (Teachers)	15.68%	16.62%	16.62%

**Rates for FY 2020 reflect approved rates in Chapter 854 of the 2019 Acts of Assembly.*

- **Adjust Funding for Other Post-Employment Benefits Costs.** Proposes \$89,108 GF over the biennium to support the changes in employer contribution rates for other post-employment benefit programs for state employees and state-supported local employees. The net cost includes increases of \$98,211 GF the first year and \$102,507 GF the second year for the state employee programs, offset by savings of \$55,805 GF each year for the state-supported local employee programs.

Proposed Rates for VRS Administered OPEB Programs*

(\$ in millions)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Life Insurance – State Employee	1.31%	1.34%	1.34%
VSDP - State Employee	0.62%	0.61%	0.61%
Retiree Health Care Credit – State	1.17%	1.12%	1.12%
Life Insurance Employer Share – Teachers	0.52%	0.54%	0.54%
Retiree Health Care Credit – Teachers	1.20%	1.21%	1.21%

**Rates for FY 2020 reflect approved rates in Chapter 854 of the 2019 Acts of Assembly.*

- **Distributed Agency Support**

- *Adjust Funding for Cardinal Charges.* Includes savings of \$1.9 million GF the first year and \$2.1 million GF the second year, which reflects changes in state agency utilization and the allocation of the general fund share of charges for the Cardinal Financial System.
- *Adjust Funding for Performance Budgeting System Charges.* Includes savings of \$251,280 GF the first year and \$225,171 GF the second year, which reflects changes in state agency utilization and the allocation of the general fund share of charges for the Performance Budgeting System.
- *Adjust Funding for Line of Duty Act Premiums.* Proposes \$123,828 GF each year to adjust funding to reflect estimated changes in enrollment and the premiums charged for the Line of Duty Act (LODA) program. The annual premium charged per FTE covered position is greater than the amount approved by the Virginia Retirement System Board of Trustees in order to provide health insurance coverage to dependents previously included on a LODA beneficiary's health plan, who lost their health coverage on July 1, 2017. There is a corresponding language amendment in Central Appropriations that grandfathers dependents born or adopted after the LODA beneficiary's death or disability, prior to July 1, 2017.
- *Provide Funding for Workers' Compensation Premiums.* Includes savings of \$875,937 GF the first year and \$591,123 GF the second year to fund workers' compensation premiums based on the latest actuarial report. The premium amounts include the payback of the working capital advance used to settle workers' compensation claims.
- *Adjust Funding for Changes in Liability Insurance Premiums.* Includes \$994,019 GF each year to the net general fund support for changes in general liability insurance premiums billed by the Division of Risk Management. A separate amendment within the Department of the Treasury reflects the increase in nongeneral fund appropriations for liability insurance premiums billed to state agencies.
- *Reflect Changes in Rent Costs Due to Additional Security Enhancements.* Proposes \$1.9 million GF the first year and \$2.7 million GF the second year to reflect increased rent costs for state agencies due to changes in agency square footage occupancy, as well as funding to support higher rent rates due to additional building security measures. There is a corresponding action in the Department of General Services that reflects the enhanced security measures, which includes appropriation for the acquisition of additional security equipment,

as well as a memorandum of understanding with the Division of Capitol Police for additional police and security officers for state-owned facilities.

- *Adjust Funding for the Human Resource Service Center.* Adjusts funding for the Human Resource Service Center (HRSC), within the Department of Human Resource Management (DHRM), to reflect projected costs of providing human resource services to participating state agencies. Separate actions within the HRSC item within DHRM transfer its existing general fund appropriation to Central Appropriations, and establishes a nongeneral fund appropriation to create an internal service fund cost recovery mechanism for services rendered for state agencies by the HRSC, effective July 1, 2020.

2020-22 Central Budget Adjustments			
(GF \$ in millions)			
	<u>FY 2021</u>	<u>FY 2022</u>	<u>Total</u>
Cardinal Financial System	\$(1.9)	\$(2.1)	\$(4.0)
Workers Comp Premiums	(0.9)	(0.6)	(1.5)
Line of Duty Act	0.1	0.1	0.2
Performance Budgeting System	(0.3)	(0.3)	(0.6)
Personnel Management Information System	(0.3)	(0.3)	(0.6)
Cardinal Human Capital Management System	0.0	10.1	10.1
Liability Insurance Premiums	1.0	1.0	2.0
Information Technology and Telecommunication (VITA)	<u>(53.5)</u>	<u>(49.3)</u>	<u>(102.9)</u>
Total	\$(55.8)	\$(41.4)	\$(97.3)

- *Adjust Funding for the Personnel Management Information System Charges.* Includes reductions of \$316,114 GF the first year and \$330,518 GF the second year to reflect changes to the general fund share of the Personnel Management Information System (PMIS) internal service fund charges.
- *Provide Funding for Cardinal Human Capital Management System Charges.* Includes funding of \$10.1 million GF the second year representing state agency general fund shares of internal service fund charges for the new Cardinal Human Capital Management (HCM) System. Charges are expected to become effective October 2021, after agencies have begun utilizing the system. Once the HCM has become active, the Personnel Management Information System (PMIS) and its associated internal service fund will be decommissioned. There is a corresponding action in the Department of Accounts that reflects the operating costs for the HCM

System. During the transition, operating costs incurred for the System are funded through a working capital advance, which has been increased to \$142.7 million.

- **Funding for Information Technology Applications**

- *Adjust Funding for Changes in Information Technology Costs.* Includes reductions of \$53.5 million GF the first year and \$49.3 million GF the second year to the general fund share of costs for information technology and telecommunications usage by state agencies, based on Virginia Information Technologies Agency (VITA) utilization estimates and rates for 2021 and 2022. The proposed reduction is reflective of savings from the full repayment of costs associated with transitioning from the previous information technology vendor.
- *Adjust Funding to Agencies for Information Technology Auditors and Security Officers.* Proposes \$180,746 GF each year to adjust funding to agencies for information technology auditors and security officers based on the most recent update from the Virginia Information Technologies Agency (VITA).
- *Repay Line of Credit for Agency Cloud Migration.* Includes \$2.5 million GF the first year to repay the line of credit extended to the Virginia Information Technologies Agency (VITA) for agency virtualization and cloud-readiness activities. Chapter 854 of the 2019 Acts of Assembly authorized agencies to draw from VITA’s line of credit to pay the costs of certain agencies for cloud migration activities, as recommended by the Chief Information Officer, and subject to approval by the Secretaries of Finance and Administration.

- **Special Expenditures**

- *Provide Funding for Uncommitted Contingencies.* Proposes \$100.0 million GF each year for uncommitted contingences that may arise over the biennium. No additional language is included related to the recommended appropriation. The Governor presented this appropriation as funding for the General Assembly to use to address its priorities.
- *Provide Funding for Workforce Case Management System.* Includes \$6.1 million GF the first year to integrate workforce case management systems across state agencies. Proposes to enable interagency information sharing, improve efficiency, and provide customers with one access point into the workforce development system.
- *Provide Appropriation for the Slavery and Freedom Heritage Project.* Proposes \$1.0 million GF the first year for expected project expenditures for the City of Richmond to develop the Slavery and Freedom Heritage site, and make improvements to Lumpkin’s Pavilion and the Slave Trail. Language specifies that

unexpended balances not revert to the general fund, but be re-appropriated for this purpose. The action also reflects the removal on the cap of total state support for the planning, design, and construction of the respective projects, and other conditions on the City of Richmond prior to receipt of funds.

- ***Authorize Funding for Flood Warning System.*** Includes \$1.0 million GF each year to be transferred, upon approval from the Department of Planning and Budget, to the Virginia Department of Emergency Management (VDEM) for the evaluation, upgrading, and maintenance of the Integrated Flood Observation and Warning System (IFLOWS). Authorized distributions for this purpose are contingent on the development of a plan by the State Coordinator of VDEM that prioritizes a list of repairs, replacements, upgrades, and maintenance needs of the IFLOWS system.
- ***Provide Support for Redistricting Commission.*** Includes \$1.1 million GF each year to support the Virginia Redistricting Commission as adopted in Chapter 821 of the 2019 Acts of Assembly, which is a constitutional amendment and as such must be reenacted by the 2020 General Assembly before being placed on the ballot for a voter referendum.
- ***Establish Reinsurance Program to Support State Health Benefit Exchange.*** Proposes \$73.0 million GF each year to fund a reinsurance program to subsidize health insurance carriers participating in the Virginia Health Benefit Exchange, with the intent of stabilizing rates and premiums. The funding represents an estimate of the state’s share of funding, which combined with federal funding would subsidize premiums by 20 percent. A separate action in the State Corporation Commission (SCC) establishes the Virginia Health Benefit Exchange, as a new division within the agency to manage a health insurance marketplace for the purchase and sale of qualified health and dental plans in the individual and small group markets. While often established in concert, the state exchange is not mandatory for the establishment of a reinsurance program.
- ***Transfer Management Program Fellows Appropriation to New Agency.*** Transfers \$1.2 million GF each year from Central Appropriations to a new agency within the Department of Human Resource Management, called the Management Fellows Program Administration, for continuation and administration of the program’s activities.

- **Educational and General Programs**

- ***Provide Additional Funding for Tech Talent.*** Recommends \$15.2 million GF each year to continue funding for the Tech Talent Investment Fund, which is intended to improve the readiness of graduates to be employed in technology-related fields and in fields that align with traded-sector growth opportunities, as identified by

the Virginia Economic Development Partnership. This is in addition to base funding of \$16.6 million GF provided in FY 2020 (Chapter 854), resulting in total funding of \$31.8 million GF each year for the Tech Talent Investment Fund.

- **Distribution of Tobacco Settlement Funding**

- *Adjust Appropriation for the Tobacco Settlement Distributions.* Proposes reducing by \$100.0 million NGF over the biennium the appropriation for the Tobacco Region Revitalization Commission to align with anticipated expenditures.
- *Reflect Appropriation for Restoration of Funding for the Virginia Foundation for Healthy Youth.* Includes \$1.7 million NGF each year to reflect additional appropriations resulting from the restoration of the percentage of Master Settlement Agreement funding dedicated for the Virginia Foundation for Healthy Youth, from 8.5 percent to 10 percent.