

Central Appropriations

Adopted Amendments (\$ in millions)				
	FY 2015 Adopted <u>GF</u> <u>NGF</u>		FY 2016 Adopted <u>GF</u> <u>NGF</u>	
2014-16 Current Budget (Chapter 3, 2014 Special Session I)	(\$104.2)	\$119.4	(\$322.5)	\$119.3
Increases	128.0	0.0	508.8	0.0
Decreases	<u>(3.5)</u>	<u>(0.0)</u>	<u>(26.1)</u>	<u>(0.0)</u>
\$ Net Change	124.6	0.0	482.7	0.0
Chapter 665 (HB 1400, as Adopted)	\$20.4	\$119.4	\$160.2	\$119.3
% Change	119.5%	0.0%	149.7%	0.0%
FTEs	0.00	0.00	0.00	0.00
# Change	0.00	0.00	0.00	0.00

- **Adjustments to Reversion Clearing Accounts Included in Chapter 3**
 - *Miscellaneous Reversion Clearing Account.* Eliminates the net negative appropriation included in Item 471.4 of Chapter 3 of the 2014 Acts of Assembly, Special Session I, of \$40.6 million GF the first year and \$284.9 million GF the second year. The bulk of the savings appropriations that was assumed in Item 471.4 in Chapter 3 came from \$43.1 million in GF savings as a result of increased Lottery and Literary Fund proceeds in the first year and an assumed reversion of \$272.0 million in the second year from savings that were to be developed by budget reduction plans for state agencies during the budget development process in preparation for the 2015 Session. Savings amendments are included throughout the budget to capture these savings. This amendment also eliminates the appropriation included in central appropriations in Chapter 3 to fill vacant judgeships. Companion amendments within the Judicial Department directly appropriate the funds for the judgeships.

- ***Higher Education Reversion Clearing Account.*** Amendments transfer the \$45.0 million in GF savings each year for the Higher Education Reversion Clearing Account from Central Appropriations to the colleges and universities.
- ***State Agency Savings Reversion Clearing Account.*** Reduces the appropriations reversions assumed for state agencies under Item 471.1 by \$32.2 million GF the first year and \$9.5 million GF the second year. The proposal adjusts the GF reversions from \$92.4 million to \$60.1 million in FY 2015 and from \$100.0 million to \$90.5 million in FY 2016. The introduced budget includes balance reversions and transfers to replace the original appropriation reductions.
- ***Aid to Local Government Reversion Clearing Account.*** Eliminates the second year Local Aid reversion of \$30.0 million GF.
- ***Judicial Reversion Clearing Account.*** Increases by \$500,000 GF the Judicial reversion amount from \$1.0 million to \$1.5 million in the first year and eliminates the reversion to the general fund the second year.

- **Employee Compensation and Benefit Funding Adjustments**

- ***Employee Compensation Reserve Fund.*** Creates a reserve account of \$113.9 million in revenues to provide for compensation adjustments to state and state supported local employees, as well as funding to increase the VRS contribution rates to 90 percent of the board rates for the four state employee plans contingent on official FY 2015 revenues not being more than one percent below forecast. A series of employee compensation actions adjust base pay of the state workforce by 2 percent, adjust base pay for 17 high turnover job categories by an additional 2 percent and provide an additional longevity adjustment for employees of \$65 per year of service for general classified employees and \$80 per year of service for sworn law-enforcement. Specifically the revenue reserve:
 - Includes \$37.8 million GF for a 2 percent salary increase for state employees effective August 10, 2015;
 - Includes \$26.3 million GF for a salary compression base adjustment for state employees effective August 10, 2015. This includes an adjustment of \$80 per year of service salary adjustment for Sworn Officers of the State Police with three or more years of service receive as well as \$65 per year of service for other State Employees with five or more years of service;
 - Provides \$357,432 GF to reflect impact of salary adjustments on internal service fund rates charged by central service agencies;

- Includes \$13.3 million GF for a 2 percent salary adjustment for state supported local employees effective September 1, 2015; and
- Includes \$32.3 million GF to increase the contribution rates for the 4 state employee plans to 90% of the Board certified rates effective August 10, 2015.

Not included in the revenue reserve, but included in the Education section of the budget, adopted amendments address compensation for college faculty and teachers:

- **Faculty.** Funds \$14.4 million GF for a two percent faculty salary increase at all Virginia's public colleges and universities; and
- **Teachers.** Includes \$52.9 million GF for the state's share of a 1.5 percent increase for teachers.

In addition to the adjustments detailed above, the following special compensation actions are included in the adopted budget:

- **Security Officers.** Adds \$7.0 million GF for a \$1,000 adjustment to base pay for security officer positions, to help stem high turnover among the two lowest level correctional and security officer positions at the Department of Corrections and a number of other agencies, effective August 10, 2015.
- **Other High-Turnover State Classified Positions.** Provides \$3.8 million GF for an additional two percent adjustment for 17 classes of high turnover job roles identified by the State Employee Compensation Workgroup, such as direct care providers in mental health facilities and court clerks.
- **Deputy Sheriffs and Regional Jail Officers.** Includes \$1.2 million GF in the Compensation Board for a base pay adjustment for entry level grade 7 deputy sheriffs and regional jail officers to raise starting salaries, resulting in a total 6.63 percent increase in minimum salary.
- **State Police Pay Compression Plan.** Adds \$3.7 million GF for State Police, in addition to the funding in the revenue reserve, to further address salary compression issues, beginning August 10, 2015.
- **Judicial Per Diems.** Provides \$500,000 GF in the second year to increase the per diem of retired judges who are temporarily recalled to service from \$200 to \$250 per day in addition to any actual expenses incurred.
- **Adjust Funding for State Employee Health Insurance Premiums.** Includes savings of \$1.5 million GF the first year and \$21.8 million GF the second year in funding for the employer share of the state employee health insurance program. The \$1.5

million in savings in FY 2015 is the result of a refinement in the calculation of GF and NGF fund splits at the Department of Behavioral Health and Developmental Services (DBHDS) and the institutions of higher education. The \$21.8 million in savings in FY 2016 is from a combination of actions shown in the table below.

Summary of Actions Adopted for FY 2016 State Employee Health Insurance Premiums (\$ millions GF)	
	<u>FY 2016</u>
Adjust GF/NGF Splits at DBHDS and Colleges	(\$3.7)
Update on Number of Enrollees in Plan	(0.02)
Revised Projections from Actuaries Based on Current Plan	(3.3)
Reflect Cash Balances and Cash Transfers to HIF	(5.1)
Defer IBNR Add-On	(9.6)
Changes to Employee Health Benefits	
Cover Autism Services up to Age 10	0.3
Reduce Co-Pay for Physical Therapy	0.5
Increase Use of Telemedicine	(0.1)
Reform Pharmacy “Drug Compounding” Policy	(0.6)
Require Prior Authorization for Androgen Prescriptions	<u>(0.2)</u>
Total	(\$21.8)

- ***Adjust General Fund Support for Retirement Contributions Due to Fund Split Adjustment.*** Captures savings of \$562,041 GF each year in funding that is distributed to agencies for VRS retirement contributions due to a refinement in the calculation of GF and NGF fund splits at the Department of Behavioral Health and Developmental Services (DBHDS). The savings at the DBHDS is netted against a slight increase of \$43,604 GF each year to fund retirement contributions at the Fort Monroe Authority.
- ***Adjust Funding for Other Post-Employment Benefits (OPEB) Contributions for State Supported Local Employees.*** Realizes savings of \$323,864 GF each year in funding for OPEB benefit contributions for local employees. This amendment is

technical in nature and captures savings due to the language included in Chapter 3 to set state employee OPEB rates at 90 percent of the VRS Board certified rates.

- **Undistributed Support**

- *Additional Funding for Support Agency's VITA Costs.* Provides \$4.9 million GF the first year and \$6.0 million GF the second year to fund the updated estimated VITA charges. Language is included in VITA's budget which limits VITA's surcharge rate for VITA overhead expenses at no more than 8.26 percent the first year and 7.81 percent the second year.
- *Refund Suspense Fund.* Establishes a Refund Suspense Fund for the Department of Taxation to review taxpayer requests for refunds and identify potentially erroneous requests. The language further authorizes the Tax Commissioner to contract with a private provider to perform this analysis.