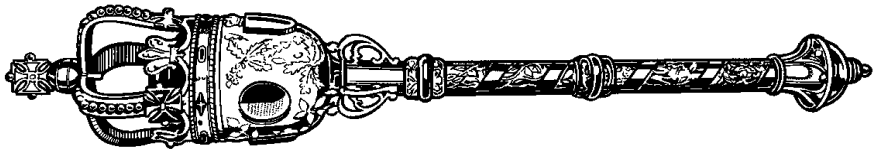
Report of the House Appropriations Subcommittee

on

Compensation & General Government



House Bill 1500

February 6, 2005

Respectfully Submitted by the House Appropriations Subcommittee on Compensation & General Government:

Robert Tata, Chairman	**Leo C. Wardrup**
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REPORT OF THE SUBCOMMITTEE
on
Compensation and General Government

Mr. Chairman and Members of the Committee:

The work of this Subcommittee has focused on three primary goals: (1) determining which existing programs and services require additional investments, (2) scrutinizing new initiatives, and (3) recognizing the value of the Commonwealth's state employees by providing them salary increases. I am pleased to present to you today a series of amendments that support these goals.

General Government

In the general government area, this Subcommittee focused on two actions: identifying the programs and services into which critical investments must be made and identifying those programs and activities that could be reduced to generate the savings necessary to support the Committee's other priorities. Mr. Chairman, thanks to your leadership and the work of the other subcommittees, I am pleased to report that our recommendations include the addition of $4.9 million in additional support for judicial branch agencies and nearly $300,000 for six additional positions to process veterans' claims for benefits.

Our subcommittee was very concerned about ensuring the provision of justice to all persons, especially those persons who cannot afford to hire their own legal representation. Consequently, the subcommittee is recommending that $3,000,000 be appropriated for improving the compensation paid to court-appointed attorneys for the representation of indigent criminal defendants and that $342,862 be used to ensure our public defenders have access to on-line legal research materials and electronic court documents. The subcommittee

is also recommending a little more than $700,000 for the creation of three new judgeships.

Mr. Chairman, as you have previously said, we must continue to examine programs based upon their direct benefit to the state. This subcommittee has examined the spending in the introduced budget and identified several program expansions and new initiatives from which savings can be redirected to other priorities. For instance, the Subcommittee recommends level funding the school efficiency review program. This action would save nearly $400,000, and permit the program to continue reviewing the administrative efficiency of our local school divisions. Other reductions include the elimination of some new positions and the transfer of legislative agency balances to the Legislative Reversion Clearing Account to help offset costs associated with the renovation of the State Capitol.

Mr. Chairman, I will next discuss the area of compensation and retirement:

Compensation and Retirement

Mr. Chairman, as you directed, the Subcommittee's work was conducted within the framework you provided regarding transportation, sales tax acceleration, and the cleanup of the Chesapeake Bay. Yet despite those objectives, you also made it clear that a proactive compensation plan for our hard-working state employees had to be addressed in our budget recommendations. I am pleased to report the Subcommittee heartily accepted your challenge and I am even more pleased to report what we recommend.

As you know, the introduced budget included sufficient funding for a 3 percent increase for state employees effective November 25, 2005. However, one compensation issue that has resounded since we began our work almost one month ago is state employee salary compression. As you noted, salary compression occurs when newer employees are hired at salaries than more senior employees doing the same job. Not surprisingly, this effect has an impact on morale. Un-

fortunately, across-the-board salary increases do nothing to rectify salary compression problems.

To address this, the Subcommittee reviewed a number of options. One option that makes sense and is easy to understand is a salary adjustment based on years of state service. This has been used by at least one local government who reported that it was very successful and well-accepted by their employees. Therefore, the Subcommittee is recommending that $14.8 million be provided to provide full-time, salaried employees an additional $50 for each full year of state service.

What does this mean to our employees? The Department of Human Resource Management has reported that the average classified state employee has over 11 years of service and has an average annual salary of $36,750. As a result, under this proposal, the average employee would receive an additional $550 or almost a 1.5 percent increase. More importantly, it will be a significant benefit for more senior employees who are close to or at retirement eligibility as their retirement will be based in part on the higher salary that better reflects their years of service to the state.

Clearly, Mr. Chairman, with the many important needs facing this Committee, finding the revenue to finance this objective would be difficult at best. However, due in large part to the diligence of the other Subcommittees as they undertook their budget reviews, we are able to propose enhanced compensation for our hard-working state employees. I would like to take this opportunity to thank you and the other Subcommittee Chairmen.

In addition to state employee compensation, the Subcommittee was committed to attempting to address the high cost of health insurance for our long-term, retired employees. Because the state employee retiree health credit is the primary means of assisting our state retirees with health insurance cost, the Subcommittee is recommending that $1.1 million be included in the budget to fund House Bill 1626, which is sponsored by Delegate Putney. House Bill 1626 would

remove the current 30-year cap on the retiree health credit, benefiting the many state retirees who have over 30 years of service. This proposal clearly recognizes their long-term service to the Commonwealth.

Finally, Mr. Chairman, the Subcommittee recommends that that $31.2 million proposed in the introduced budget be provided to fully fund the employer's share of the premium increase for the state employee health insurance program. Equally as important, Mr. Chairman, this funding will ensure that our employees will not face benefit or plan changes this year.

Mr. Chairmen and fellow Committee members, I will ask staff to take you through our detailed recommendations, and then I hope it will be your pleasure to adopt our subcommittee report.

BUDGET AMENDMENT RECOMMENDATIONS

House Bill 1500 Amendment	2004-06 BIENNIAL TOTAL General Fund	Nongeneral Fund	FTE
General Government			
AMENDMENTS			
General Assembly			
New Equipment -- House Clerk's Office	1,500,000	0	0.00
Administrative Assistant Per Diems	138,741	0	0.00
Division of Legislative Services			
Housing Study Commission Per Diems	20,000	0	0.00
Housing Commission Special Fund	0	(156,005)	0.00
Additional Positions	0	0	2.00
State Crime Commission			
Offset Loss of Federal Grants	88,000	0	0.00
Legislative Reversion Clearing Account			
Legislative Agency Savings	Language		
Supreme Court			
Continue Family Court Study	Language		
Judicial Performance Evaluation	300,000	0	0.00
Circuit Courts			
Court-Appointed Attorney Fees	3,000,000	0	0.00
Additional Circuit Court Judgeship	281,429	0	1.00
General District Courts			
Additional District Court Judgeship	213,278	0	1.00
Juvenile and Domestic Relations Court			
Additional Court Judgeship	213,278	0	1.00
Indigent Defense Commission			
Internet Access and Legal Research	342,862	0	0.00
Executive Director Tenure	Language		
Judicial Reversion Clearing Account			
Restore Budget Reductions	500,000	0	0.00

BUDGET AMENDMENT RECOMMENDATIONS

House Bill 1500 Amendment	2004-06 BIENNIAL TOTAL General Fund	Nongeneral Fund	FTE
Department of Charitable Gaming			
Eliminate One of Five New Positions	(75,000)	0	(1.00)
Correct Nongeneral Fund Type	Language	0	0.00
Department of Human Resource Management			
Employee Suggestion Coordinator	(75,000)	0	(1.00)
Department of Veterans Services			
Additional Field Positions	276,675	0	6.00
Correct Nongeneral Fund Type	Language		
Department of Accounts			
Eliminate New Hotline Staffing	(136,474)	0	(2.00)
Department of Accounts Transfer Payments			
Transfer Line of Duty Program	(3,110,000)	0	0.00
Department of Planning and Budget			
Level Fund School Efficiency Program	(398,500)	0	0.00
Department of Taxation			
Auditor Salaries and Wage Staff	(85,000)	0	0.00
Small Tobacco Incentive Act Position	59,400	0	1.00
Small Tobacco Incentive Act	Language	0	1.00
Central Appropriations			
HB 1626: State Retiree Health Credit	1,125,000	0	0.00
State Employee Salary Adjustment	14,759,675	0	0.00
HB 1793: Reserve Death Benefit	Language		
PPEA Proposal Savings	(100,000)	0	0.00
Virginia Retirement System			
Assume Line of Duty Program		600,000	2.00
Retirement Service Credit	Language		
Part 3/Part 4			
Correct Agency Head Salary	Language		
Salary Supplements	Language		
Health Insurance Program Ombudsman	Language		
Accelerated Sales Tax	Language		
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HB 30 SUBTOTAL	18,627,275	1,443,995	11
GRAND TOTAL	64,220,558	93,803,528	14.00