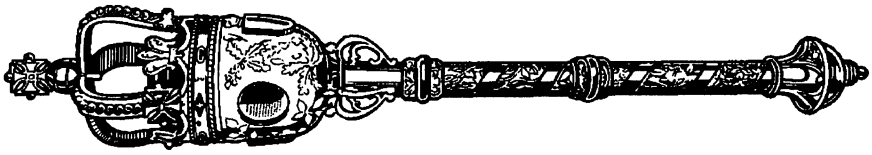
Report of the House Appropriations Subcommittee

on

Compensation & Retirement



House Bill 29
&
House Bill 30

February 19, 2006

REPORT OF THE SUBCOMMITTEE
on
Compensation and Retirement

Mr. Chairman and Members of the Committee:

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

Mr. Chairman, as you directed, the Subcommittee's work was conducted within the framework you provided regarding your priorities to (1) develop a transportation package that meets the critical needs of the state without a tax increase, and (2) provide tax relief – including elimination of the estate tax and increasing the car tax reimbursement cap – to the people of Virginia. Yet despite those objectives, you also made it clear that a proactive and appropriately funded compensation plan for our hard-working state employees had to be included 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 three percent increase for state employees effective November 25, 2006. However, the introduced budget did not provide for a second year salary increase for our state and state-supported local employees. As you have often reminded us, not providing some level of funding for a second year salary increase leads to uncertainty and anxiety for our public employees regarding salary increases in

the last half of the biennium. Not surprisingly, this has an impact on morale, retention, and productivity.

To address this, the Subcommittee adopted a goal of providing sufficient funds in the second year for a salary increase equivalent to two percent for state employees (November 25, 2007) and state-supported local employees (December 1, 2007). I must point out that the Subcommittee considers this as simply a beginning and I expect the Subcommittee to focus on the second year salary increase level during the 2007 Session. Nonetheless, I am very pleased to report to you and the Committee that a critical foundation for the second year state and state-supported local employee compensation package will be established through our recommendation of $41.0 million for salary increases in fiscal year 2008.

Moreover, the Subcommittee also accepted your challenge to review the first year salary increase for state and state-supported local employees. As you have noted, salary increases not only improve the quality of our hard working public employees' daily lives, but also have a positive impact on our long-term employees who are approaching retirement age as retirement benefits are a function of annual salary. To that end Mr. Chairman, I am please to report that the Subcommittee recommends a total of $44.9 million for an additional one percent salary increase effective November 25, 2006 for state employees and December 1, 2006 for state-supported local employees. This will provide a total increase of four percent for these employees on those dates. In addition to these across the board salary increases, $16.2 million is recommended to be used by state agencies to implement pay practices and address recruitment, retention, and other state-employee related compensation issues.

Mr. Chairman, one concern that the Subcommittee heard repeatedly during its Subcommittee meetings was the impact of gasoline prices on state employees who are required to use their own vehicles on state business. The state reimbursement rate has remained at 32.5 cents per mile while gas prices have almost doubled in the past 18 months. At the same time, the Internal Revenue Service adopted the 44.5 cents per mile standard on January 2006. Reflective

of this, the Subcommittee is recommending $2.6 million to increase the mileage reimbursement rate to 44.5 cents per mile.

Clearly, Mr. Chairman, with the many important needs facing this Committee, finding the revenue to finance these objectives would be difficult at best. However, due primarily 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 and state-supported local employees. I would like to take this opportunity to thank you and the other Subcommittee Chairs.

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 state 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 $1.9 million be included in the budget to fund House Bill 59, which I sponsored. House Bill 59 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 $71.1 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.

Respectfully Submitted by the House Appropriations Subcommittee on Compensation & Retirement:

Lacey E. Putney, Chairman

Johnny S. Joannou

Robert Tata

Onzlee Ware

Riley E. Ingram

Clarke N. Hogan

BUDGET AMENDMENT RECOMMENDATIONS

Amendment	House Bill 29 FY 2006	2006-08 BIENNIAL TOTAL General Fund	Nongeneral Fund	FTE
Compensation & Retirement				
HB 30				
Compensation Board				
Master Deputy Program		Language		
Sheriff/Regional Jail Group Life Rate Adjustment		(328,914)		
Commonwealths Attorneys Group Life Rate Adjustment		(45,710)		
Clerk Group Life Rate Adjustment		(13,422)		
Treasurer Group Life Rate Adjustment		(15,856)		
Director of Finance Group Life Rate Adjustment		(5,378)		
Commissioner of Revenue Group Life Rate Adjustment		(15,926)		
Department of Accounts				
Line of Duty Benefit (House Bill 1418)		150,000		
Central Appropriations				
Actuarial Workgroup		Language		
FY 2008 Compensation Reserve		41,000,000		
November 25, 2006 State Employee Additional 1%		31,594,468		
December 1, 2006 State-Supported Local Additional 1%		13,306,641		
State Retiree Health Credit Rate Adjustment		(6,971,474)		
State Group Life Rate Adjustment		(3,158,883)		
State Employee Health Care Credit Cap Elimination		1,942,000		
Teacher Group Life/Retiree Health Care Credit Adjustment		(4,161,053)		
State Employee Mileage Rate Adjustment		2,601,920		
VSDP Technical Adjustment		(133,374)		
Part III/IV				
State Employee Mileage Rate Adjustment		Langauge		
4-6.00 Restore Chapter 951 Language		Language		
Museum and State Librarian Directors		Language		
DGIF Agency Head Salary Level		Language		
State Lottery Director		Language		
Virginia Retirement System Director		Language		
Department of Planning & Budget Director		Language		
SCHEV Director		Language		
Service Purchase		Language		
		==========	==========	=========
HB 30 SUBTOTAL	0	75,745,039	0	0

Administration

Compensation Board Language

Language:

Page 37, line 3, strike "Funding" and insert:
"Subject to appropriations by the General Assembly for this purpose, funding".

Explanation:

(This amendment restores clarifying language that funding for offices certifying their participation in the Master Deputy Program after January 1, 1997 is subject to appropriations by the General Assembly. This language was inadvertently deleted in the introduced budget.)

Central Appropriations

Central Appropriations Language

Language:

Page 401, strike line 39 through line 47.

Explanation:

(This amendment eliminates language establishing a working group to examine actuarial assumptions.)

Special Conditions and Restrictions on Expenditures
Good and Services Language

Language:
Page 509, line 18, strike "32.5" and insert "44.5".
Page 509, line 19, strike "32.5" and insert "44.5".
Page 509, line 23, strike "32.5" and insert "44.5".
Page 509, line 25, strike "32.5" and insert "44.5".

Explanation:
(This amendment increases the mileage reimbursement paid for the use of private vehicles for the official business of the Commonwealth from 32.5 cents per mile to 44.5 cents per mile. The Internal Revenue Service adopted the 44.5 cents per mile standard on January 1, 2006. A companion amendment in Central Appropriations provides the funding necessary to pay the higher mileage reimbursement.)

Compensation - Retirement Subcommittee Item 4-6.00 #1h

Positions And Employment

Equal Employment Opportunities Language

Language:

Page 511, strike line 45 through line 47.

Explanation:

(This amendment eliminates language in the General Provisions consistent with prior appropriations acts.)

Compensation - Retirement Subcommittee Item 4-6.01 #3h

Positions and Employment

Employee Compensation Language

Language:

Page 513, line 17, strike "prior annual".

Page 513, line 21, strike "of the Director or Librarian of Virginia. The".

Page 513, line 21, after "The" insert "and the".

Explanation:

(This amendment clarifies that prior approved increases in salary for museum directors and the state librarian are considered base salary and not subject to reapproval each year.)

Compensation - Retirement Subcommittee Item 4-6.01 #4h

Positions and Employment

Employee Compensation Language

Language:

Page 514, strike line 4 and line 5.

Page 514, after line 38, insert:

"Executive Director, Department of Game and Inland Fisheries $116,787 $120,291 $120,291".

Explanation:

(This amendment restores the Department of Game and Inland Fisheries to a Level II agency consistent with Commissioner of the Marine Resources Commission. This amendment does not affect the annual salary of the Executive Director of the Department of Game and Inland Fisheries.)

Positions and Employment

Employee Compensation Language

Language:

Page 517 strike line 22.

Explanation:

(This technical amendment eliminates a duplicate reference to the Director, State Lottery Department.)

Compensation - Retirement Subcommittee Item 4-6.01 #7h

Positions and Employment

Employee Compensation Language

Language:

Page 517 strike line 18.

Page 517, after line 17 insert:

"Director, Virginia Retirement System $150,000 $154,500 $154,500".

Explanation:

(This amendment adjusts the salary of the Director of the Virginia Retirement System as requested by the Virginia Retirement System Board of Trustees.)

Positions and Employment

Employee Compensation Language

Language:

Page 514 strike line 2.

Page 514, after line 1, insert:

"Budget $140,188 $144,393 $144,393".

Explanation:

(This amendment adjusts the annual salary of the Director of the Department of Planning Budget.)

Positions and Employment

Employee Compensation Language

Language:

Page 517, after line 41, insert:

"c) The State Council of Higher Education for Virginia may increase or decrease the annual salary of the Director from any appropriations to the Council. In approving the salary, the State Council should be guided by the Level I salary range included in Item 4-6.01 6 b. In addition to the annual salary, the State Council may also provide a bonus not to exceed ten percent of the annual salary. The State Council should be guided by criteria which provide a reasonable limit on the total additional income of the Director. The criteria should include consideration of additional income from outside sources including, but not being limited to, service on boards of directors or other such services. The State Council shall report the approved salary and bonus to the Department of Human Resource Management for its records."

Explanation:

(The amendment provides language to allow the State Council of Higher Education to establish the annual salary for its Executive Director similar to other Level I agencies.)

Compensation - Retirement Subcommittee Item 4-6.03 #5h

Positions and Employment

Employee Benefits Language

Language:

Page 520, after line 50, insert:

"f.2. Any member of the Virginia Retirement System in service on July 1, 2006, may by no later than June 30, 2008, purchase prior service credit pursuant to the provisions of 51.1-142.2 B.1, for creditable service at a private institution of higher education if the private institution is merged with a public institution of higher education and graduates of the private institution are then issued new degrees from the public institution."

Explanation:

(This amendment is self-explanatory.)