



Report of the Subcommittee on
General Government

Senate Finance Committee
Virginia General Assembly

February 8, 2015

**REPORT OF THE SUBCOMMITTEE ON GENERAL
GOVERNMENT AND TECHNOLOGY
On Senate Bill 800, as Introduced
(February 8, 2015)**

Mr. Chairmen and Members of the Committee:

Your subcommittee has reviewed the provisions of Senate Bill 800, the budget bill as introduced, for the Legislative and Judicial Departments, Statewide Executives, the Offices of Administration, Finance, and Technology, and Central Appropriations.

Our most important task this year has been to develop a set of recommendations to address employee compensation. The past several years have been difficult for our employees due to sluggish economic growth, revenue shortfalls, budget cutbacks, layoffs, high vacancy rates, and little or no growth in real salaries and wages.

In a recent presentation to our subcommittee, the Department of Human Resources Management pointed out that state employee wages have been lower than all other sectors since 2003, and take-home pay has not increased since 2007. The 2007 increase of five percent was offset by the five percent employee contribution to VRS, and the 2013 increase of 2.73 percent was offset by the payroll tax. In fact, buying power has decreased by seven percent since 2007 -- and by almost 15 percent if these offsets are included. We now rank 33rd among the 50 states in average annual pay, and, as the chairmen mentioned, we rank 49th - next to last - in terms of the state average as a percentage of the private sector average. Our median salary statewide is \$41,206, and the median in Northern Virginia is \$49,436.

We must begin to turn this situation around. Mr. Chairmen, you have encouraged us to pull back on our spending plans in order to focus our attention on this single most important objective -- to take as large a step as possible, within the constraints of our available revenues, towards improving compensation.

For these reasons, we are pleased to include a series of recommendations to increase state employee (and state-supported local employee) compensation by three percent, across the board, that employees will see in their September 1, 2015 paychecks.

We support the special salary increase for entry-level deputy sheriffs, as recommended in the introduced budget, but we have eliminated the unfunded mandate on localities that would have tied those salary levels to the federal food stamp eligibility guidelines and required localities to match those guidelines in the future. That mandate would have placed a very difficult burden on our localities in the future.

Our report adds \$5.8 million to address salary compression within the ranks of the Department of State Police, the plan for which is addressed in the report of your Subcommittee on Public Safety. We all strongly support these measures.

We are recommending \$8.6 million to increase compensation in selected, high-turnover occupations, including correctional officers, direct care staff at our behavioral health hospitals and facilities for the intellectually disabled, and our district court clerks, especially at the lower grades. These are job classes that have extremely high turnover, low pay, and tough working conditions. We must do more for these employees, because the ongoing work of our essential state institutions and our court system depend upon their hard work.

Finally, we are pleased to report that sufficient resources have been made available to eliminate the \$30 million, second-year reversion in state aid to localities. This will come as a relief to our hard-pressed cities, counties, and towns.

Mr. Chairmen, this completes the report of your Subcommittee on General Government and Technology.

Respectfully Submitted,

The Honorable Jill H. Vogel, Chair

The Honorable Emmett W. Hanger, Jr.

The Honorable Stephen D. Newman

The Honorable Frank M. Ruff, Jr.

The Honorable Charles W. Carrico

REPORT OF THE SUBCOMMITTEE ON GENERAL GOVERNMENT AND TECHNOLOGY
(Proposed Amendments to SB 800, As Introduced, 2015 Session)

| Amendment | | General Funds | | |
|-----------|--|---------------|---------------|---------------|
| | | FY 2015 | FY 2016 | Biennium |
| 1 | Legislative Department | | | |
| 2 | Virginia Conflict of Interest and Ethics Advisory Council (SB 1424, 4 FTE) | | \$300,000 | \$300,000 |
| 3 | Joint Commission on Transportation Accountability | | \$28,200 | \$28,200 |
| 4 | Education Commission of the States (annual dues) | | \$91,800 | \$91,800 |
| 5 | Chesapeake Bay Restoration Fund Advisory Committee | NGF | | |
| 6 | SJR 285 - Joint subcommittee to study family and medical leave | | \$16,080 | \$16,080 |
| 7 | SR 62 - Joint committee of Senate Rehab and Rules on DOC staffing | | \$14,200 | \$14,200 |
| 8 | | | | |
| 9 | <i>Total, Legislative Department</i> | \$0 | \$450,280 | \$450,280 |
| 10 | | | | |
| 11 | Judicial Department | | | |
| 12 | Supreme Court of Virginia | | | |
| 13 | Amounts for filling vacant judgeships (GF reversion = \$5,679,640 as of June 30, 2015; see Item 468) | | | Revenue page |
| 14 | Local Fines and Fees (adjust process for making deposits to general fund) | | Language | |
| 15 | Criminal Fund (adjust funding to address anticipated first year shortfall) | \$5,420,332 | (\$8,148,045) | (\$2,727,713) |
| 16 | Circuit Court-Court-Appointed Counsel fee for NGRI (SB 1053) | | \$18,480 | \$18,480 |
| 17 | District Court-Court-Appointed Counsel fee for psych treatment hearings (SB 1053) | | \$22,050 | \$22,050 |
| 18 | Circuit Court-Counsel or GAL for protective order proceedings (SB 941) | | \$42,000 | \$42,000 |
| 19 | Circuit Court-Commissioners of Accounts Fees | | Language | |
| 20 | Virginia State Bar - VA Legal Services Corp. - Legal Aid | | \$1,000,000 | \$1,000,000 |
| 21 | | | | |
| 22 | <i>Total, Judicial Department</i> | \$5,420,332 | (\$7,065,515) | (\$1,645,183) |
| 23 | | | | |
| 24 | Executive Offices | | | |
| 25 | Office of the Attorney General | | | |
| 26 | Legal Services for Soil and Water Conservation Districts | | Language | |
| 27 | Office of the Inspector General | | | |
| 28 | Study of Piedmont and Catawba Hospitals | \$0 | (\$150,000) | (\$150,000) |
| 29 | | | | |
| 30 | <i>Total, Executive Offices</i> | \$0 | (\$150,000) | (\$150,000) |
| 31 | Secretary of Administration | | | |
| 32 | Compensation Board | | | |
| 33 | Eliminate Local Mandate for Deputy Sheriffs Salaries | | Language | |
| 34 | Jail per diems, fill FY 2015 projected shortfall | \$2,498,446 | \$0 | \$2,498,446 |
| 35 | Restore stricken language re Treasurers contingency fees for collection of delinquent accounts | | Language | |

Report of the Subcommittee on Public Safety

| | | | | |
|----|---|---------------|------------------------|---------------|
| 36 | Department of Elections | | | |
| 37 | Eliminate DRE voting machine replacement strategy and equipment reimbursement to localities | \$0 | (\$1,610,333) | (\$1,610,333) |
| 38 | | | | |
| 39 | Total, Office of Administration | \$2,498,446 | (\$1,610,333) | \$888,113 |
| 40 | Secretary of Finance | | | |
| 41 | Department of Accounts | | | |
| 42 | Cardinal Systems | | Language | |
| 43 | Department of Taxation | | | |
| 44 | Eliminate Tax Stamp Fee | | Language | |
| 45 | Reporting on Tourism Development Financing Program | | Language | |
| 46 | Transfer of Responsibility for Tobacco Enforcement to ABC (SB 1230) | | (\$361,000) | |
| 47 | Department of the Treasury/Treasury Board | | | |
| 48 | Claims (SB 843) | | \$175,440 | \$175,440 |
| 49 | Prince William-Manassas Regional Jail | | Language | |
| 50 | Pamunkey Regional Jail | | Language | |
| 51 | State Tax Refund Check Option (SB 701) | \$0 | \$264,000 | \$264,000 |
| 52 | Total, Office of Finance | \$0 | \$78,440 | \$78,440 |
| 53 | Secretary of Technology | | | |
| 54 | CIT: Use of CRCF | | Language | |
| 55 | Central Appropriations | | | |
| 56 | Rainy Day Fund Reserve for FY 2015 (required payment in FY 2017) | \$134,000,000 | \$0 | \$134,000,000 |
| 57 | State Employee Compensation (3% salary increase effective September 1, 2015) | | \$56,700,000 | \$56,700,000 |
| 58 | State-Supported Local Employees (3% salary increase, 10 months) | | \$22,100,000 | \$22,100,000 |
| 59 | Higher Education Faculty (2%, 20 pay periods) | | \$14,364,608 | \$14,364,608 |
| 60 | Teachers (1.5%, 10 months) | | Education Subcommittee | |
| 61 | Additional Compensation for High-Turnover Groups (20 pay periods) | | \$8,602,448 | \$8,602,448 |
| 62 | State Police Compression Plan | | \$5,835,868 | \$5,835,868 |
| 63 | Eliminate Second Year Aid to Localities Reversion | | \$29,840,738 | \$29,840,738 |
| 64 | Partially restore higher education centers, Jefferson Laboratory, Eastern Virginia Medical School | | \$642,806 | \$642,806 |
| 65 | Per diem for recalled retired judges | | \$500,000 | \$500,000 |
| 66 | SCHEV: Partially restore Virtual Library of Virginia | | \$148,064 | \$148,064 |
| 67 | Technical corrections (Item 468) | | (\$200,000) | (\$200,000) |
| 68 | Increase judicial retirement age from 70 to 73 (SB 1196) | | (\$1,396,000) | (\$1,396,000) |
| 69 | Judicial vacancy reversions (as of June 30, 2015) | | Language | |
| 70 | State Tax Refund Check Option (SB 701) | | Language | |
| 71 | Treasury Reduction Strategy | | Language | |
| 72 | VRS NGF Impact (SB1162) | | Language | |
| 73 | Total, Central Appropriations | \$134,000,000 | \$137,138,532 | \$271,138,532 |
| 74 | Part 3 (Transfers) | | | |
| 75 | 3-3.03 Health Insurance Fund Interest | | Revenue Page | |
| 76 | 3-6.05 Collection of Local Fines and Fees (eliminate fees from formula; set threshold at 65%) | | Language | |
| 77 | 4-5.03 Internal Service Fund Review: Technical Correction | | Language | |

General Government Subcommittee

Item 37 #3s

Judicial Department

Supreme Court

Language

Language:

Page 26, line 6, after "the deposit of all" insert "Commonwealth".

Page 26, line 7, strike "Item 43" and "Item 44" and insert "Item 40" and "Item 41".

Page 26, line 8, strike "45" and "Item 46" and insert "42" and "Item 43".

Explanation:

(This amendment adjusts the procedures for the deposit of local fines and fees into the State Treasury. A companion amendment to Section 3-6.05 of this act removes local fees from the calculation of the amounts to be returned to the Literary Fund and provides that one-half of the amount by which local fines and forfeitures exceed 65 percent of total collections be returned to the Literary Fund. This amendment provides that only the state collections are to be deposited into the State Treasury. The current language requires that all local collections be deposited into the State Treasury, which in turn requires that checks for the local amounts not transferred to the Literary Fund be sent back to the localities. The intent of this amendment is to eliminate that administrative expense.)

General Government Subcommittee

Item 39 #5s

Judicial Department

Circuit Courts

Language

Language:

Page 29, after line 7, insert:

"J. Notwithstanding any other provisions of Chapter 23 of Title 8.1 of the Code of Virginia, a reasonable fee may be charged by Commissioners of Accounts for any foreclosures on a timeshare estate to reimburse them for the reasonable costs associated therewith."

Explanation:

(This amendment is self-explanatory.)

General Government Subcommittee

Item 56 #1s

Executive Offices

Attorney General And Department
Of Law

Language

Language:

Page 38, line 14, after "at no charge" insert:

", inclusive of all fees, expenses, or other costs associated with litigation, excluding the payment of damages."

Explanation:

(This amendment clarifies existing language which expresses legislative intent that the Office of the Attorney General shall provide legal services to the Soil and Water Conservation Districts at no charge.)

General Government Subcommittee

Item 63 #1s

Executive Offices

Office Of The State Inspector
General

FY 14-15

\$0

FY 15-16

(\$150,000) GF

Language:

Page 41, line 11, strike "\$6,658,433" and insert "\$6,508,433".

Page 42, strike lines 18 through 26.

Explanation:

(This amendment eliminates \$150,000 the second year from the general fund and language from the Office of the State Inspector General for a study of the future use of Piedmont Geriatric and Catawba Hospitals. A companion amendment to Item 307 in the Department of Behavioral Health and Developmental Services requires a report with recommendations to the General Assembly.)

General Government Subcommittee

Item 66 #2s

Administration

Compensation Board

Language

Language:

Page 48, line 5, after "\$31,009," strike the remainder of the line and insert ".".

Page 48, line 6, before "Compensation" insert "The".

Page 48, line 12, after "herein." strike the remainder of the line.

Page 48, strike lines 13 through 15.

Explanation:

(This amendment protects the proposed salary increase for entry-level deputy sheriffs and addresses the issue of salary compression for grade 8 deputy sheriffs. It also removes an unfunded salary mandate beginning in FY 2017 for all cities and counties.)

General Government Subcommittee

Item 70 #1s

Administration

Compensation Board

Language

Language:

Page 54, lines 37 through 40, restore the following language:

"Effective January 1, 2016, as provided in Section 19.2-349, Code of Virginia, treasurers shall be prohibited from being compensated on a contingency basis but shall be instead compensated administrative cost pursuant to Section 58.1-3958, Code of Virginia."

Page 54, lines 40 and 41, strike:

"Collections fees shall be paid on a contingency basis out of the proceeds of the amount collected."

Explanation:

(This amendment restores the original intent of the language in this Item concerning the collection of delinquent fines and fees by Treasurers. The original language as adopted by the General Assembly in the 2014 appropriation act prohibited Treasurers and other local government entities from charging contingency fees for the collection of delinquent fines and fees, effective January 1, 2016.)

General Government Subcommittee

Item 83 #5s

Administration

Department Of Elections

FY 14-15

FY 15-16

\$0

(\$1,610,333)

GF

Language:

Page 70, line 29, strike "\$12,018,927" and insert "\$10,408,594".

Page 71, strike line 26 through line 40.

Explanation:

(This amendment eliminates a proposal for a blanket procurement of voting machines and a corresponding reimbursement to localities that have previously purchased approved voting equipment.)

General Government Subcommittee

Item 256 #1s

Finance

Department Of Accounts

Language

Language:

Page 214, line 18, following "systems" insert:

"provided, however, that such systems are competitively procured."

Explanation:

(This amendment requires competitive procurement for any additional statewide information systems encompassed within the Cardinal business model.)

General Government Subcommittee

Item 269 #1s

Finance

Department Of Taxation

Language

Language:

Page 224, after line 49, insert the following:

"D. The Department of Taxation shall report on a quarterly basis, beginning on July 1, 2015, to the Chairmen of the House Appropriations, House Finance and Senate Finance Committees, on the amount of state sales and use tax revenues authorized to be remitted under the provisions of § 58.6-608.3, § 58.1-3851.1, and § 58.1-3851.2, of the Code of Virginia."

Explanation:

(This amendment requires a quarterly report on the amount of state sales and use tax that is remitted to certain public facilities and local tourism projects to assist with debt financing.)

General Government Subcommittee

Item 270 #1s

Finance

Language:

Page 227, strike line 47 through line 49.

Explanation:

(This amendment eliminates the authorization for the Department of Taxation to charge an administrative fee on cigarette revenue stamps.)

General Government Subcommittee

Item 270 #2s

Finance

FY 14-15

FY 15-16

Department Of Taxation

\$0

(\$361,000) GF

Language:

Page 224, line 51, strike "\$58,138,820" and insert "\$57,777,820".

Explanation:

(This amendment reduces the appropriation for the Department of Taxation by \$361,000 the second year from the general fund to reflect the transfer of the responsibility for tobacco tax enforcement to the Department of Alcoholic Beverage Control, pursuant to Senate Bill 1230 of the 2015 General Assembly. A companion amendment to Item 378 provides for this amount of funding to be available as nongeneral funds for the Department of Alcoholic Beverage Control for tobacco licensure and enforcement activities. These amendments are contingent upon final passage of Senate Bill 1230.)

General Government Subcommittee

Item 419 #1s

Technology

Innovation And Entrepreneurship
Investment Authority

Language

Language:

Page 366, following line 47, insert:

"O. Out of the amounts appropriated in Item 101.I to the Commonwealth Research Commercialization Fund, the Secretary of Commerce and Trade shall release upon request of the Center for Innovative Technology an amount not to exceed \$2,000,000 in the second year in additional support of the MACH 37 cyber security accelerator.

Prior to the release of this funding, the Center for Innovative Technology shall certify that it was unable to secure the private investment of at least \$3,000,000 as was contemplated in the initial legislative authorization of the program."

Explanation:

(This amendment provides additional state support of the MACH 37 cyber security accelerator if it fails to achieve its anticipated level of private sector investment.)

General Government Subcommittee

Item 467 #1s

Central Appropriations

FY 14-15

FY 15-16

Central Appropriations

\$0

\$93,164,608 GF

Language:

Page 427, line 40, strike "\$111,816,543" and insert "\$204,981,151".

Page 433, following line 24, insert:

"O. Subject to revenue estimates for Fiscal Year 2015 being met or exceeded, there is herewith appropriated a sum of \$93,164,608 from the general fund in the second year to be used only for employee compensation purposes as stated in paragraphs P, Q, R, and S below.

P. 1. As provided in paragraph O of this Item, \$56,700,000 shall be used to support the general fund portion of costs associated with a three percent cost of living base adjustment for all classified employees of the Executive Branch, and all other full-time employees of the Commonwealth, except elected officials, effective with the pay period beginning August 10, 2015. Included in this amount are the costs associated with classified employees of institutions of higher education.

2. As provided in paragraph O of this Item, \$22,100,000 shall be used to support the general fund portion of costs associated with a three percent cost of living base adjustment for all state supported local employees and Constitutional officers effective September 1, 2015.

Q. The Department of Human Resources Management shall increase the maximum salaries for each band within the Commonwealth's Classified Compensation Plan by three percent on July 1, 2015. No salary increase shall be granted to any employee as a result of this action.

R. 1. The Director of the Department and Planning and Budget shall transfer amounts to affected agencies and institutions of higher education as necessary.

2. The Director of the Department of Planning and Budget shall administratively increase nongeneral fund appropriations as required to implement the base budget

adjustment.

S. As provided in paragraph O of this Item, \$14,364,608 shall be provided to increase faculty salaries at institutions of higher education by the equivalent of two percent effective August 10, 2015. Institutions may award the salary increase on the basis of merit so as not to exceed an average of two percent at each institution each year.

T. Except as provided elsewhere in this act, the following agency heads, at their discretion, may implement the provisions of new or existing performance-based pay plans effective July 1, 2015 in lieu of other pay actions which may be authorized within this Item.

1. The heads of agencies in the Legislative and Judicial Departments;
2. The Commissioners of the State Corporation Commission and the Virginia Workers' Compensation Commission;
3. The Attorney General;
4. The Director of the Virginia Retirement System;
5. The Director of the State Lottery Department;
6. The Director of the University of Virginia Medical Center;
7. The Executive Director of the Virginia College Savings Plan; and,
8. The Executive Director of the Virginia Port Authority. "

Explanation:

(This amendment provides \$84.3 million in the second year in support of the general fund share of a two percent cost-of-living adjustment for state and state supported local employees.)

General Government Subcommittee

Item 467 #8s

Central Appropriations

FY 14-15

FY 15-16

Central Appropriations

\$0

\$8,602,448 GF

Language:

Page 427, line 40, strike "\$111,816,543" and insert "\$120,418,991".

Page 433, following line 24, insert:

"O.1. Subject to revenue estimates for Fiscal Year 2015 being met or exceeded, and pursuant to the recommendation of the state employee compensation work group established by paragraph B of Item 255, Chapter 806 of the Acts of Assembly of 2013, there is herewith appropriated a sum of \$8,602,448 to be used exclusively for a two percent adjustment to the base salary of state employees in the following high turnover job roles effective August 10, 2015 for the purposes of relieving salary compression and maintaining market relevance:

- a. Law Enforcement Officer I
- b. Security Officer I
- c. Security Officer III
- d. Direct Service Associate I
- e. Direct Service Associate II
- f. Direct Service Associate III
- g. Housekeeping and/or Apparel Worker I
- h. Probation Officer Assistant
- i. Emergency Coordinator I
- j. Emergency Coordinator II
- k. Registered Nurse I
- l. Registered Nurse II/Nurse Practitioner I/Physician's Assistant
- m. Licensed Practical Nurse
- n. Therapy Assistant/Therapist I
- o. Therapist II
- p. Compliance / Safety Officer II
- q. District Court Deputy Clerk, Grade 6
- r. District Court Deputy Clerk, Grade 7
- s. District Court Deputy Clerk, Grade 8

2.a Employees in the Executive Department subject to the Virginia Personnel Act shall receive the salary increases authorized in this paragraph only if they attained at least a rating of "Contributor" on their latest performance evaluation.

b. Salary increases authorized in this paragraph for employees in the Judicial and Legislative Departments, employees of Independent agencies, and employees of the Executive Department not subject to the Virginia Personnel Act shall be consistent with the provisions of this paragraph, as determined by the appointing or governing authority. The governing authorities of those agencies and state institutions of higher education with employees not subject to the Virginia Personnel Act shall certify to the Department of Human Resource Management that employees receiving the awards are performing at levels at least comparable to the eligible employees as set out in subparagraph 2.a. of this paragraph.

3. The Department of Human Resource Management shall increase the maximum salary for each band within the Commonwealth's Classified Compensation Plan by two percent on August 10, 2015. No salary increase shall be granted to any employee as a result of this action.

4. The salary increase authorized in this paragraph is intended to be in addition to any other salary increase authorized in this act."

Explanation:

(This amendment provides for a two-percent base adjustment for employees in 19

categories of employees with the highest turnover rates effective in the September 1, 2015 paycheck.)

General Government Subcommittee

Item 467 #9s

Central Appropriations

FY 14-15

FY 15-16

Central Appropriations

\$0

\$5,835,868 GF

Language:

Page 427, line 40, strike "\$111,816,543" and insert "\$117,652,411".

O. Out of the appropriation for this Item, \$5,835,868 the second year shall be transferred to the Department of State Police for salary supplements, subject to the approval by the Secretary of Public Safety and Homeland Security and the Secretary of Administration of a salary compression plan for fiscal year 2016. No funds shall be included within such plan for personnel of the Department of State Police with less than five years of service as of July 1, 2015. Prior to the implementation of the plan, copies of the approved plan shall be provided to the Chairmen of the Senate Finance and House Appropriations Committees."

Explanation:

(This amendment provides \$5,835,868 the second year from the general fund for the salary compression plan for the Department of State Police.)

General Government Subcommittee

Item 471.30 #4s

Central Appropriations

FY 14-15

FY 15-16

Central Appropriations

\$0

\$29,840,738 GF

Language:

Page 455, line 14, strike "(\$29,840,738)" and insert "\$0".

Page 455, strike line 12 through line 53.

Page 456, strike line 1 through line 7.

Explanation:

(This amendment eliminates the Aid to Local Government Reversion Clearing Account.)

General Government Subcommittee

Item 3-6.05 #3s

Adjustments and Modifications to Fees

Deposit of Fines and Fees

Language

Language:

Page 518, line 23, strike "AND FEES".

Page 518, strike lines 24 through 37 and insert:

"A. Each year by May 1 the Auditor of Public Accounts shall calculate the fines reversion amount defined as equal to one-half of (i) the total of the local fines and forfeitures collected by the District Courts in the immediately preceding fiscal year less (ii) 65 percent of the total fines and forfeitures collected by the District Courts for such prior fiscal year for each locality.

B. The Auditor of Public Accounts shall provide written notice to each locality of the amount of its fines reversion as defined in A. above and shall provide a copy of the notice to the State Comptroller.

C. Each locality receiving notice that it has a fines reversion as defined in A. above shall submit a payment to the State Comptroller for the entire amount of the reversion by August 1 for deposit into the Literary Fund."

Explanation:

(This amendment adjusts the formula by which local collections of fines and fees based on local ordinances may not exceed a certain threshold of the total collections of fines and fees. This amendment removes fees from the calculation of the formula and specifies that one half of the amount by which collections of local fines and forfeitures exceeds 65 percent of total collections is to be returned to the Literary Fund. A companion amendment to Item 37 for the Supreme Court adjusts the procedures for deposit of these amounts into the general fund.)
