2006 Special Session I

Budget Bill - HB5002 (Chapter 3)

Central Appropriations

Item 461	First Year - FY2007	Second Year - FY2008
Compensation and Benefit Supplements (75700)	**$137,085,279**	**$290,167,430**
Supplements to Employee Compensation (75701)	$66,801,275	$216,827,571
Supplements to Employee Benefits (75702)	$70,284,004	$73,339,859
Fund Sources:		
General	$137,085,279	$290,167,430

Authority: Discretionary Inclusion.

A. Transfers from this Item may be made to supplement general fund appropriations to state agencies for:

1. Adjustments to base rates of pay;

2. Adjustments to rates of pay for budgeted overtime of salaried employees;

3. Salary increases for positions with salaries listed elsewhere in this act;

4. Salary increases for locally elected constitutional officers and their employees;

5. In-band salary adjustments for employees subject to the Virginia Personnel Act to recognize changes in duties or professional skill development, establish internal alignment (equitable salary relationships), or respond to labor market conditions (retention).

6. Employer costs of employee benefit programs when required by salary-based pay adjustments; and

7. Salary increases for local employees supported by the Commonwealth, other than those funded through appropriations to the Department of Education.

8. Adjustments to the cost of employee benefits to include but not limited to health insurance premiums and retirement and related contribution rates.

B. Transfers from this Item may be made when appropriations to the state agencies concerned are insufficient for the purposes stated in paragraph A of this Item, as determined by the Department of Planning and Budget, and subject to guidelines prescribed by the department. Further, the Department of Planning and Budget may transfer appropriations within this Item from the second year of the biennium to the first year, when necessary to accomplish the purposes stated in paragraph A of this Item.

C. Except as provided for elsewhere in this Item, agencies supported in whole or in part by nongeneral fund sources, shall pay the proportionate share of increases in salaries and benefits as required by this Item, subject to

the rules and regulations prescribed by the appointing or governing authority of such agencies. Nongeneral fund revenues and balances required for this purpose are hereby appropriated.

D.1. The Department of Human Resource Management may approve pilot compensation programs within agencies that support the redesigned classified compensation plan. Such pilot programs approved by the department shall have clearly defined objectives, specified time frames, and shall be restricted to no more than two years. Such pilot programs shall be funded from existing agency appropriations or from funds provided for salary increases specified elsewhere in this Item, or a combination of both. A report on such pilot programs shall be made to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2007. The Secretary of Administration shall approve any change in compensation plans based on pilot programs, prior to their implementation.

2. Any pilot programs or alternative pay plans authorized under the provisions of this paragraph shall provide for average annual salary increases that are no greater than those authorized in this Item for classified state employees.

E. The Governor is hereby authorized to transfer funds from agency appropriations to the accounts of participating state employees in such amounts as may be necessary to match the contributions of the qualified participating employees, consistent with the requirements of the Code of Virginia governing the deferred compensation cash match program. Such transfers shall be made consistent with the following:

1. The maximum cash match provided to eligible employees shall not be less than $20.00 per pay period, or $40.00 per month. The Governor may direct the agencies of the Commonwealth to utilize funds contained within their existing appropriations to meet these requirements.

2. The Governor may direct agencies supported in whole or in part with nongeneral funds to utilize existing agency appropriations to meet these requirements. Such nongeneral revenues and balances are hereby appropriated for this purpose, subject to the provisions of § 4-2.01 b of this act. The use of such nongeneral funds shall be consistent with any existing conditions and restrictions otherwise placed upon such nongeneral funds.

3. Employees who are otherwise eligible but whose 403 (b) provider does not participate in the cash match program by establishing a 401 (a) account are ineligible to receive a cash match.

4. The procurement of services related to the implementation of this program shall be governed by standards set forth in § 51.1-124.30 C, Code of Virginia, and shall not be subject to the provisions of Chapter 7 (§ 11-35 et seq.), Title 11, Code of Virginia.

F.1. The base salary of the following employees shall be increased by four percent on November 25, 2006 and three percent on November 25, 2007 for state employees:

a. Full-time and other classified employees of the Executive Department subject to the Virginia Personnel Act;

b. Full-time employees of the Executive Department not subject to the Virginia Personnel Act, except officials elected by popular vote;

c. Any official whose salary is listed in § 4-6.01 of this act, subject to the ranges specified in the agency head salary levels in § 4-6.01 c; and

d. Full-time professional staff of the Governor's Office, the Lieutenant Governor's Office, the Attorney General's Office, Cabinet Secretaries Offices, including the Deputy Secretaries, the Virginia Liaison Office, and the Secretary of the Commonwealth's Office.

e. Heads of agencies in the Legislative Department;

f. Full-time employees in the Legislative Department, other than officials elected by popular vote; and

g. Secretaries and administrative assistants as provided for in Item 1 of this act.

h. Judges and Justices in the Judicial Department;

i. Heads of agencies in the Judicial Department; and,

j. Full-time employees in the Judicial Department.

k. Commissioners of the State Corporation Commission and the Virginia Workers' Compensation Commission, the Executive Directors of the Virginia College Savings Plan and the Virginia Office for Protection and Advocacy, and the Directors of the State Lottery Department, and the Virginia Retirement System;

l. Full-time employees of the State Corporation Commission, the Virginia College Savings Plan, the State Lottery Department, Virginia Workers' Compensation Commission, the Virginia Retirement System, and Virginia Office for Protection and Advocacy.

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 appointing or governing authority 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 minimum and maximum salary for each band within the Commonwealth's Classified Compensation Plan by four percent on November 25, 2006. No salary increase shall be granted to any employee as a result of this action. The department shall develop policies and procedures to be used in instances where employees fall below the entry level for a job classification due to poor performance. Movement through the revised pay band shall be based on employee performance.

4. Out of the amounts for Supplements to Employee Compensation is included $44,403,040 the first year from the general fund and $115,610,104 the second year from the general fund to support the general fund portion of costs associated with the salary increase provided in this paragraph.

5. The following agency heads, at their discretion, may utilize agency funds or the funds provided pursuant to this paragraph to implement the provisions of existing pay plans:

a. The heads of agencies in the Legislative and Judicial Departments;

b. The Commissioners of the State Corporation Commission and the Virginia Workers' Compensation Commission;

c. The Attorney General;

d. The Director of the Virginia Retirement System;

e. The Director of the State Lottery Department;

f. The Director of the University of Virginia Medical Center;

g. The Executive Director of the Virginia College Savings Plan;

h. The Executive Director of the Virginia Port Authority; and

i. The Executive Director of the Virginia Office for Protection and Advocacy.

G. The base rates of pay, and related employee benefits, for wage employees may be increased by up to four percent no earlier than November 25, 2006. The cost of such increases for wage employees shall be borne by existing funds appropriated to each agency.

H.1. Agency heads in the Executive Department are authorized to utilize an amount equivalent to 0.5 percent of salaries to implement pay practices pursuant to Department of Human Resource Management policies for pay practices under the compensation plan for classified employees and agency compensation plans.

2. The following agency heads at their discretion are authorized to utilize an amount equivalent to 0.5 percent of salaries to implement the provisions of existing pay plans:

a. The heads of agencies in the Legislative and Judicial Departments;

b. The Commissioners of the State Corporation Commission and the Virginia Workers' Compensation Commission;

c. The Attorney General;

d. The Director of the Virginia Retirement System;

e. The Director of the State Lottery Department;

f. The Director of the University of Virginia Medical Center;

g. The Executive Director of the Virginia College Savings Plan;

h. The Executive Director of the Virginia Port Authority; and

i. The Executive Director of the Virginia Office for Protection and Advocacy.

3. Out of the appropriation for Supplements to Employee Compensation is included $5,550,377 the first year from the general fund and $10,246,839 the second year from the general fund to support the general fund portion of costs associated with the salary increases authorized in this paragraph.

I.1. The base salary of the following employees shall be increased by four percent on December 1, 2006 and three percent on December 1, 2007:

a. Locally elected constitutional officers;

b. General Registrars and members of local electoral boards;

c. Full-time employees of locally elected constitutional officers; and,

d. Full-time employees of Community Services Boards, Centers for Independent Living, secure detention centers supported by Juvenile Block Grants, juvenile delinquency prevention and local court service units, local social services boards, and local health departments where a memorandum of understanding exists with the Virginia Department of Health.

2. Out of the appropriation for Supplements to Employee Compensation is included $19,609,787 the first year from the general fund and $48,471,220 the second year from the general fund to support the costs associated with the salary increase provided in this paragraph.

J.1. Out of the appropriation for Supplements to Employee Benefits, amounts estimated at $34,808,234 the first year from the general fund and $36,321,635 the second year from the general fund shall be transferred to state agencies and institutions of higher education to support the general fund portion of costs associated with changes in the employer's share of premiums paid for the Commonwealth's health benefit plans.

2. Notwithstanding any contrary provision of law, the health benefit plans for state employees resulting from the additional funding in this Item shall allow for a portion of employee medical premiums to be charged to employees.

K.1. Contribution rates paid to the Virginia Retirement System for the retirement benefits of public school teachers, state employees, state police officers, state judges, and state law enforcement officers eligible for the Virginia Law Officers Retirement System shall be based on a valuation of retirement assets and liabilities that assume an investment return of eight percent, a cost of living increase of three percent, and an amortization period of 30 years the first year and 21 years the second year. For each year, the employer contribution rates resulting from these assumptions are as follows;

2. Out of the appropriation for Supplements to Employee Benefits, amounts estimated at $21,142,477 the first year from the general fund and $31,817,164 the second year from the general fund shall be transferred to state agencies and institutions of higher education to support the general fund portion of the costs associated with changes in the contribution rates for state employee retirement as provided for in this paragraph.

3. State funding for increases in retirement contributions for public school teachers funded through the Standards of Quality is provided under Direct Aid to Public Education.

L. 1. For each year, contribution rates paid to the Virginia Retirement System for the public employee group life insurance program shall be 1.13 percent of salaries resulting from an update of the valuation of program assets and liabilities.

2. Out of the appropriation for Supplements to Employee Benefits, amounts estimated at $6,815,269 the first year from the general fund and $7,111,568 the second year from the general fund shall be transferred to state agencies and institutions of higher education to support the general fund portion of the costs associated with the increase in the contribution rate for state employee group life insurance as provided for in this paragraph.

3. State funding for increases in group life contributions for public school teachers funded through the Standards of Quality is provided under Direct Aid to Public Education.

M.1. For each year, contribution rates paid to the Virginia Retirement System for the Virginia Sickness and Disability Program shall be 1.78 percent of salaries resulting from an update of the valuation of program assets and liabilities.

2. Out of the appropriation for Supplements to Employee Benefits, amounts estimated at $2,522,674 the first year from the general fund and $2,632,389 the second year from the general fund shall be transferred to state agencies and institutions of higher education to support the general fund portion of the costs associated with the increase in

the contribution rate for the Virginia Sickness and Disability Program as provided for in this paragraph.

N. The Secretary of Administration, in conjunction with the Secretary of Finance, may establish a program that allows for the sharing of cost savings from improved productivity and performance with agencies and employees. Such gain sharing programs require a management philosophy of open communication encouraging employee participation; a system which seeks, evaluates and implements employee input on increasing productivity; and a formula for measuring productivity gains and sharing these gains between employees and the agency. The Department of Human Resource Management, in conjunction with the Department of Planning and Budget, shall develop specific gain sharing program guidelines for use by agencies. The Department of Human Resource Management shall provide to the Governor, the Chairmen of the House Appropriations and Senate Finance Committees an annual report no later than October 1 of each year detailing identified savings and their usage.

O. There is hereby created the Pre-Medicare Eligible Retiree Health Benefits Trust Fund (the Fund). The funds of the Pre-Medicare Eligible Retiree Health Benefits Trust fund shall be deemed separate and independent trust funds, shall be segregated from all other funds of the Commonwealth, and shall be invested and administered solely in the interests of the participating retirees. Neither the General Assembly nor any public officer, employee, or agency shall use or authorize the use of such trust funds for any purpose other than as provided in law for benefits, refunds, and administrative expenses. The Fund is established to pay the health insurance benefits of retirees and their dependents who are not yet eligible for Medicare under the plan established under § 2.2-2818. Deposits to the Fund shall be made from general fund appropriations, retiree payroll deductions and other retiree payments together with any earnings on those deposits. Fund deposits are irrevocable and are not subject to the claims of creditors. The Department of Human Resource Management shall use the assistance of the Virginia Retirement System in establishing, investing, and maintaining the Fund. The Board of Trustees of the Virginia Retirement System shall administer and manage the investment of the Fund as custodian and provide staff. The Virginia Retirement System shall invest the Funds in accordance with Article 3.1 (§ 51.1-124.30 et seq.) of Chapter 1 of Title 51.1. The Fund shall annually reimburse the Virginia Retirement System for all reasonable costs incurred and associated, directly and indirectly, with the administration of this chapter and management and investment of the Fund.

P. Out of the appropriation for Supplements to Employee Benefits, amounts estimated at $952,000 the first year from the general fund and $990,000 the second year from the general fund for the state employee retiree health credit as required by Chapter 622 of the Acts of Assembly of 2006.

Q. Out of the amounts for Compensation Supplements shall be paid $317,203 the first year and $317,203 the second year from the general fund for the correction of internal compensation alignment at Longwood University. Such non-general fund amounts as are required to carry out the purpose of this paragraph are hereby appropriated.

R. Out of the amounts for Compensation Supplements shall be paid $12,864,000 the second year from the general fund to provide for a three percent salary increase and related employee benefit costs effective November 25, 2007. Such non-general funds as may be required to implement this increase are hereby appropriated.

S. Out of the amounts for Compensation Supplements a total of $22,000,000 the second year shall be provided for reserve for a salary increase and the related employee benefit costs for the state's share of all public education funded SOQ instructional positions.