



Report of the Subcommittee on
General Government

(Senate Bill 800, As Introduced)

Senate Finance Committee
Virginia General Assembly

February 4, 2001

**REPORT OF THE SUBCOMMITTEE ON
GENERAL GOVERNMENT
On Senate Bill 800, As Introduced
(February 4, 2001)**

Mr. Chairman and Members of the Committee:

The General Government Subcommittee reviews all budget proposals for agencies in the Legislative and Judicial branches of government, the Independent agencies – such as the VRS, Workers' Compensation Commission and the Lottery – as well as the Executive Offices, and the secretarial areas of Finance, Technology and Administration – including local sheriffs and other constitutional officers. You might sum it up by saying that we look out for the infrastructure of state government.

Our subcommittee has reviewed the provisions of Senate Bill 800, the budget bill as introduced, with respect to these areas. The proposed budget includes a total of just over \$33 million (general funds) in general government reductions. While this may not seem large in comparison to some other areas of government, we must keep in mind that many general government agencies are small and have difficulty continuing services when faced with severe cuts. And make no mistake about it; some of these agencies and programs face severe cuts – ranging as high as:

- 17% for the Commonwealth Competition Council
- 17% for the Local Commissioners of the Revenue
- 14% for the Innovative Technology Authority
- 12% for the Department of Human Resource Management
- 9% for the Department of Veterans' Affairs
- 8% for the Department of General Services.

The subcommittee has spent a great deal of time over the past several weeks examining these proposed reductions in as much detail as possible. It has not been possible to address every reduction that was of concern. We have been able to meet our commitments in a number of key areas, however. Let us give you some examples:

Subcommittee Recommendation

Introduced Budget Proposal

- | | |
|---|---|
| 1. Breaks faith with local sheriffs, other constitutional officers and state-supported local employees by not providing a second year salary increase | Restores our commitment to local sheriffs, other constitutional officers and state-supported local employees by increasing salaries by 3.5% in year 2 |
| 2. Eliminates long-term care insurance for state employees | Restores long-term care insurance for state employees |
| 3. Cuts Consolidated Laboratories | Exempts Consolidated Laboratories from reductions |
| 4. Cuts aid to localities for Commissioners of the Revenue by 17 percent | Restores aid to localities for Commissioners of the Revenue |
| 5. Fails to budget sufficient local aid for the increased number of prisoners in local and regional jails | Funds local aid for the number of prisoners in local and regional jails |

The subcommittee would like to expand on these five issues in more detail.

1. **Salary increase for state-supported local employees.** This includes deputy sheriffs, other constitutional officers and their employees, local social services employees, local mental health workers, and a few other groups. These state-supported local employees have traditionally been treated in a similar manner as state employees. The cost of providing these state-supported local employees with the same 3.5 percent increase as classified employees is \$13.6 million GF.
2. **Restore VRS long-term care insurance.** Last session, the General Assembly provided \$2.7 million for long-term care insurance for state employees enrolled in the retirement system's disability program. The budget as introduced eliminates this program and substitutes study language. Every year that we wait and study the cost of nursing home care

devastates more families -- often leading to dependency on state programs such as Medicaid or indigent care

3. **Restore cuts in state lab services.** This budget also contains millions in unspecified cuts. In most cases we just don't know where these cuts will be taken. We're being asked to trust the choices made after we leave the capitol. We do know where some of these cuts are going to come from. One example is the consolidated labs in Richmond. This state lab provides important services to our localities and taxpayers like tuberculosis and blood lead testing for local health departments and testing to make sure our drinking water is safe. These are things we don't want to stop doing! The cost of exempting the consolidated labs from budget reductions is \$1.4 million.
4. **Restore cuts in funding for local commissioners of the revenue.** The budget proposes to reduce the state funding level for Commissioners of the Revenue from 80 percent to 50 percent – a 17 percent reduction. This is a reduction in local aid that is not warranted at this time, especially since it is the Commissioners who must bear the brunt of administering the Car Tax program at the local level. Restoring the Commissioner's funding to the traditional 80 percent for the principal officer and 50 percent for all others costs \$3.0 million in the second year.
5. **Fund local aid for keeping prisoners in jails.** The Compensation Board reimburses localities and regional jail authorities for the cost of keeping prisoners in their jails. This reimbursement is based on a set cost of \$8 per day for local inmates and \$14 per day for state-responsible inmates. These reimbursements are commonly referred to as the Compensation Board's "Per Diem Payments." The budget as introduced proposes an increase in state aid for maintaining prisoners in local and regional jails. Based on current projections, this increase is about \$6.0 million per year short of what is needed to cover the obligation for per diem payments. We recommend an additional \$12.0 million to cover this shortfall in local assistance.

Retirement and Group Life Insurance Rates

Finally, let us address the technical changes we propose in employer contribution rates for VRS retirement and group life insurance. These adjustments generate general fund savings of just under \$106 million:

Yr. 1 VRS Savings (State)	(\$ 15.0) million
Yr. 1 VRS (Teachers)	(63.2) million
SPORS & JRS Rates	(20.8) million
Group Life	<u>(6.8)</u> million
Total	(\$105.8) million

These technical adjustments are consistent with the traditional practice of using the actuarially determined retirement rates for both years of the biennium. Both the General Assembly's actuary and the VRS's actuary agree that these changes will have no adverse impact on the fiscal stability of the VRS trust fund. The General Assembly will continue to exercise its constitutional responsibility to both provide a stable retirement program for Virginia's public employees and to look out for the best interest of the taxpayers.

Summary

In closing Mr. Chairman we would like to emphasize three points. We do this with a wary eye on the future.

First, it is important that we keep the promise implicit in the new classified pay plan to adequately compensate state employees. This new pay plan was a cooperative effort between the administration and the General Assembly and we are pleased that the introduced budget funded it. We must also keep our commitment to provide adequate compensation for deputy sheriffs and other state-supported local employees.

Second, now that the main VRS systems are fully funded we must guard against continually expanding benefits that will cost the taxpayers dearly in the out-years.

Finally, while we recognize that the back room operations that comprise so much of the general government area must take second place to the delivery of direct services to our citizens, we feel that a careful balance must be struck to assure that further cuts do not

jeopardize key safeguards in areas such as public purchasing, finance and human resources.

Mr. Chairman, this concludes the report of the subcommittee.

As an additional note, Mr. Chairman, we would like to point out that our report also includes the Committee's actions on two important matters:

- A reduction of \$461.6 million in general funds removes the appropriation of funds from the securitization of the Commonwealth's Allocation of the Master Tobacco Settlement Agreement.
- A reduction of \$38.5 million the first year and \$225.7 million the second year reflects the committee's decision to reimburse localities for 50 percent of the personal property tax on vehicles in FY 2001 and 70 percent in FY 2002.

**SUBCOMMITTEE
SPREADSHEET
(SB 800)**

**SUBCOMMITTEE
AMENDMENTS
(SB 800)**

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	<u>2000-01</u>	<u>2001-02</u>	<u>TOTAL</u>
Revenue			
Board of Bar Examiners: REVENUE	(81,058)	(130,804)	(211,862)
Legislative			
Clerks Staff (Convert 2 FTE to Full-time)	120,000	120,000	240,000
Dues Increase (CSG & NCSL)	0	12,318	12,318
CSG Meeting in Anchorage	0	75,000	75,000
Computers & Printers for Legislative Assts	0	37,500	37,500
Leg Rev Acct: M&O for GAB & Capitol	484,800	0	484,800
Senate Finance Com. Budget Reduction	(150,000)	0	(150,000)
Judicial			
Supreme Ct: Law Clerks Technical Correction	0	76,110	76,110
Supreme Court: Wise County Video	0	30,000	30,000
Ct. of Appeals: Law Clerks Technical Correction	0	114,758	114,758
PubDef: Montgomery County Public Defender	0	386,690	386,690
Criminal Fund: Savings - Montgomery County	0	(386,690)	(386,690)
Board of Bar Examiners: Expenses/Bar Exams	81,058	130,804	211,862
Executive Offices			
GOV: Eliminate Off. of Substance Abuse Prev.	(500,000)	(500,000)	(1,000,000)
AG: Turnover/Vacancy Savings	(400,000)	0	(400,000)
AG: Transfer Assist. AG's Salary Incr. To CA	0	(373,052)	(373,052)
VLO: Eliminate position in Liaison Office	0	(40,000)	(40,000)
Administration			
Comp Bd.: Eliminate Treasurers' Staffing Increase	0	(516,712)	(516,712)
Comp Bd-Part-time Treasurers		18,812	18,812
Comp Bd-Technical Adjustments	(14,423,644)	(14,423,644)	(28,847,288)
Comp Bd-Per Diem Payments	6,381,197	6,108,838	12,490,035
Comp Bd-Operations & Telecomm	101,492	151,520	253,012
Comp Bd: Reimburse Commissioners at 80% / 50%	0	3,035,540	3,035,540
Comp Bd-Convert part-time COR	0	11,100	11,100
CCC: Restore Competition Council Savings	48,000	50,600	98,600
Bd of Elections: Electronic Filing	100,000	100,000	200,000
DGS Restore Consolidated Labs 3% / 6% Reductions	466,667	933,333	1,400,000
VPBB: WETA-Community Services Grants	0	200,000	200,000
VPBB: Radio Reading Service	0	17,000	17,000
Finance			
DOA: Line of Duty Payment for Health Insurance	0	240,000	240,000

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	<u>2000-01</u>	<u>2001-02</u>	<u>TOTAL</u>
Tax: Compliance Auditors for Car Tax	58,000	350,000	408,000
Treasury Workload Adjustment	0	(185,709)	(185,709)
Treas. Bd. -- Revised Debt Service Assumptions	(250,000)	(250,000)	(500,000)
Treas Bd: Debt Service for Juv Detention Projects	0	(864,675)	(864,675)
SIA: New Technology Audits	0	(121,613)	(121,613)

Technology

DTP: PowerUp Partnerships	0	(1,000,000)	(1,000,000)
DTP: Comm. of Knowledge Web Site	0	(200,000)	(200,000)
DTP:Eliminate E-government amendment	0	(1,200,000)	(1,200,000)

Central Appropriations

CA: Assistant Attorneys General's Salaries	0	373,052	373,052
CA: Reclassify Marine Resources Engineers	0	11,232	11,232
CA: State Supported Local Salaries @ 3.5%	0	13,605,482	13,605,482
CA-VRS Retirement in Yr 1 (State)	(14,118,831)	(613,862)	(14,732,693)
CA: Economic Contingency	0	(1,300,000)	(1,300,000)
CA-FY 02 Salary Increase	0	(291,050)	(291,050)
CA-Group Life Both Years	(3,317,014)	(3,461,232)	(6,778,246)
CA-SPORS/JRS Both Years	(10,157,818)	(10,599,462)	(20,757,280)
CA: Tobacco Securitization	0	(460,611,525)	(460,611,525)
CA: Car Tax (50% Yr1/70% Yr2)	(38,456,040)	(225,731,756)	(264,187,796)

Subtotal-General Government

(74,013,191)	(696,612,097)	(770,625,288)
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