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Neale F. Lunderville, Secretary

MEMORANDUM

TO: **Joint Fiscal Committee**
FROM: **Neale Lunderville, Secretary of Administration**
DATE: **October 26, 2010**
RE: **FY 2011 Labor Contract and Retirement Savings – report required by 2010 Act 156 Sec. B.1101(a)**

We are hereby submitting the report on FY 2011 Labor Contract and Retirement Savings required by 2010 Act 156 Sec. B.1101(a).

Sec. B.1101(a)(1): Labor contract savings due to negotiated contract.

The State/VSEA Non-Management, Supervisory and Corrections collective bargaining agreements for FY 2011 include a 3% reduction in pay plan hourly rates. This reduction has been extended to Managerial and Confidential classified employees. In addition, step increases will be delayed 2 years (that is, there will be no step increases in FY 2011). The State/Vt Troopers' Association (VTA) bargaining agreement includes a 1 year step freeze, and various other reductions in compensation.

Executive Branch exempt employees will also see a 3% salary reduction, unless previous reductions of at least 3% have already been sustained.

Judicial and Legislative Branch employee salaries are either governed by law or separate bargaining unit agreements. The FY 2011 Judicial and Legislative budgets, as passed, already reflect FY 2011 salary savings.

Departmental budgets in the FY 2011 Appropriation Bill were developed before these salary reductions were agreed to. The General Fund value of these salary reductions was projected as $5,548,030, and Sec. B.1101(a)(1) authorizes the Secretary of Administration to reduce appropriations accordingly.

Based on detailed salary analysis by the Department of Human Resources and our office, we allocated the reductions.

Overall, the value of the 3% reduction was computed based on the June 17, 2010 payroll. The reduction is in effect for 24 of 26 paydays, and for the extra (27th) payday in FY 2011. We added FICA, and the state shares of retirement (at the 15.37% in effect for FY 2011), LTD and life insurance (total: 23.71%). We developed the general, transportation and special fund % for each appropriation level Dept ID from BDS salary funding data.

We have apportioned the $5,098,032 across the combined General and Special Fund salary base, and reduced only the General Fund appropriations, leaving the Special Funds for Departments' use to offset the reductions. Where there is no General Fund salary component, we are substituting Special Fund reductions and fund transfers, and will seek authority to do so in the FY 2011 Budget Adjustment.

The effect of the 3% reduction on the 27th payday will be a $199,358 General Fund appropriation reduction to 2010 Act 156 Sec. B.1103(a)(1).

The detailed allocations of these savings is shown on the attached spreadsheet. It will be noted that the net result of these appropriation reductions and transfers to the General Fund is $250,640 less than the savings set forth in Sec. B.1101(a)(1). The FY 2011 Budget Adjustment will address this shortfall.

Sec. B.1101(a)(2): Adjustment to state employees' retirement.

The state contribution to the state employees' retirement system is based on numerous assumptions, regarding actuarial projections, investment prospects and the salary base for the retirement rate, among others. These assumptions have changed during the budget process, so that the budgeted retirement rate of 15.84% has been reduced to 15.37%. Sec. B.1101(a)(2) shows the statewide General Fund and Transportation Fund savings from the budgeted amounts as $1,768,800 GF and $686,400 TF; however, some of these savings have already been captured in the labor contract savings in Sec. B.1101(a)(1), so the actual savings due to the reduction in retirement rate is $789,966 in General Fund appropriations, and $6,697 in a transfer from a Special Fund; and $316,953 in Transportation Fund appropriations. The reductions correspond to the distribution of the initial increases that were included to bring the retirement rate to the budgeted rate of 15.84%.

The Agency of Transportation is achieving its share of the savings ($220,394) by a reduction in the Transportation Fund appropriation for the 27th payday in 2010 Act 156 Sec. B.1103(a)(1).

The detailed allocations of these savings is shown on the attached spreadsheet. It will be noted that the net result of these appropriation reductions and transfer to the General Fund is $972,137, and for Transportation Fund $369,447, less than the savings set forth in Sec. B.1101(a)(2). The FY 2011 Budget Adjustment will address this shortfall.

Our proposed Budget Adjustment language covering both the labor contract savings and the retirement savings is as follows:

Sec. Sec. B.1101(a) of No. 156 of the Acts of 2010 is amended to read:
(a) In fiscal year 2011, the secretary of administration is authorized to reduce the following amounts from appropriations and shall provide a report to the joint fiscal committee by November 15, 2010 on these reductions:
(1) Labor contract savings due to negotiated contract. The secretary of administration is authorized to reduce fiscal year 2011 appropriations consistent with these contract savings:

General fund ~~$5,548,030~~ $4,784,600
Special funds $284,302
Tobacco fund $11,056
Internal Service funds $18,074
Global Commitment fund $118,907

The secretary of administration is authorized to transfer these amounts of special, tobacco and internal service funds to the general fund.

(2) Adjustment to state employees' retirement.

General fund ~~$1,768,800~~ $789,966
Transportation fund ~~$686,400~~ $96,559

The secretary of administration is authorized to transfer $6,697 of special fund #21500 (inter-unit transfers) to the general fund.

Sec. Sec. B.1103(a)(1) of No. 156 of the Acts of 2010 is amended to read:
(1) To the secretary of administration for the 27th payday in fiscal year 2011, to be transferred to departments as the secretary may determine to be necessary:

General fund ~~$9,485,885~~ $9,286,527 [PERTAINS TO LABOR CONTRACT SAVINGS]
Transportation fund ~~$2,288,340~~ $2,067,946 [PERTAINS TO RETIREMENT SAVINGS]

Finance and Management Commissioner Jim Reardon will be pleased to answer any questions you may have at the November 15, 2010 Joint Fiscal Committee meeting.

Attachment

keep:FY 2011 sal decrease & retirement savings - for re-mailing 9-27-10

	10/27/10 2:11 PM	2010 Act 156 Sec B.1101(a)(1) - labor contract savings					2010 Act 156 Sec B.1101(a)(2) - retirement savings			
Dept ID	Appropriation	GF approp redux	SF approp redux + SF Direct Apps	Spec Fund #	Spec Fund Name	Global Commitment Fund approp redux	GF approp redux	TF approp redux		
1100020000	Secretary of Administration's Office Total	0					1,092			
1105500000	Communication & Information Technology Total	0					356			
1110003000	Budget & Management Total	11,261					2,003			
1115001000	Financial Operations Total	0								
1120010000	Operations Total	30,999					8,465			
1125000000	Employee Benefits & Wellness Total	0								
1130030000	Libraries Total	27,375					4,233			
1140010000	Administration/Collection Total	235,021					34,731			
1150100000	Administration Total	0								
1150300000	Engineering Total	0							6,697	Direct app from SF #21500 BU#01150
1150400000	Information Centers Total	43,456					7,732			
1150500000	Purchasing Total	15,566					2,034			
1160050000	Postal Services Total	0								
1160100000	Copy Center Total	0								
1160150000	Fleet Management Services Total	0								
1160250000	State Surplus Property Total	0								
1160300000	Property Management Total	0								
1160400000	General Liability Insurance Total	0								
1160450000	Workers' Compensation Insurance Total	0								
1160550000	Fee For Space Total	0								
1200010000	Governor's Office Total	8,300					2,798			
1210001000	Legislative Council Total	0					5,090			
1210002000	Legislature Total	0					2,478			
1210006400	Legislative Information Technology Total	0					981			
1220000000	Joint Fiscal Committee Total	0					2,472			
1230001000	Sergeant-At-Arms Total	0					1,140			
1240001000	Lieutenant Governor Total	1,751					356			
1250010000	Auditor of Accounts Total	4,606					1,068			
1260010000	Treasurer's Office Total	15,540					8,541			
1260150000	Unclaimed Property Total	0								
1270000000	State Labor Relations Board Total	699					454			
2100001000	Attorney General Total	40,463					12,624			
2110000100	Public Defense Total	61,912					12,138			
2110010000	Assigned Counsel Total	2,974					286			
2120000000	Judiciary Total	0					70,732			
2130100000	State's Attorney's Total	94,333					24,952			
2130200000	Sheriffs Total	63,126					8,168			
2140010000	State Police Total	273,433					21,808	96,559		
2140020000	Criminal Justice Services Total	87,461					279			
2140030000	Emergency Management Total		1,444	21125	Hazardous Chemical Substances Emergency Response Fund					
2140040000	Fire Safety Total	75,097					1,360			
2140060000	Administration Total	26,154					4,020			
2140070000	Homeland Security Total	7,514					1,379			
2140080000	Radiological Emergency Response Program Total		14,122	21025	Radiological Emergency Response Fund					
2150010000	Administration Total	7,754					1,666			
2150020000	Air Service Contract Total	4,196					549			
2150030000	Army Service Contract Total	831					146			
2150040000	Building Maintenance Total	23,178					3,257			
2150050000	Veterans' Affairs Total	9,087					1,254			
2170010000	Criminal Justice Training Council Total	9,489					1,542			
2200010000	Administration Total	7,703					1,376			
2200020000	Food Safety & Consumer Protection Total	52,401					3,601			
2200030000	Agricultural Development Total	9,543					1,434			
2200040000	Labs, Agricultural Resource Management & Environmental Stewardship Total	53,447					4,817			
2210001000	Banking Total		0							
2210011000	Insurance Total		0							
2210020000	Captive Insurance Total		0							
2210031000	Securities Total		0							
2210040000	Health Care Administration Total		0							
2210080000	Administration Total		0							
2230010000	Secretary of State Total	90,908					3,502			
2240000000	Regulation & Energy Total		55,660	21698	PSD: Regulations/Energy Efficiency					
2250000000	Public Service Board Total		12,883	21709	PSB: Special Fees					
2260001000	Enhanced 9-1-1 Board Total		18,899	21711	Enhanced 911 Board					
2280001000	Human Rights Commission Total	4,167					629			
2300002000	Enforcement & Licensing Total		4,361	21370	Tobacco Litigation Settlement Fund					
2300003000	Administration Total	0								
2300007000	Warehousing & Distribution Total	0								

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		2010 Act 156 Sec B.1101(a)(1) - labor contract savings					2010 Act 156 Sec B.1101(a)(2) - retirement savings			
2310010000	Lottery Commission Total	0								
3150070000	Mental Health Total	387					64			
3150080000	Vermont State Hospital Total	338,942					44,966			
3300010000	Care & Support Services Total		139,657	21782	Vt Medicaid					
3310000000	Vermont Commission on Women Total	3,170					772			
3400001000	Secretary's Office Total	55,579					7,827			
3400004000	Secretary's Office - Global Commitment	42,747								
3400008000	Rate Setting Total	0								
3400009000	Developmental Disabilities Council Total	0								
3400010000	Human Services Board Total	372					107			
3410010000	Administration Total	1,536				118,907				
3420010000	Administration & Support Total	14,295					1,383			
3420021000	Public Health Total	209,681					8,458			
3420060000	Alcohol & Drug Abuse Program Total	33,363					743			
3440010000	Administration & Support Services Total	242,389					56,895			
3440020000	Family Services Total	161,389					53,396			
3440030000	Child Development Total	34,812					8,491			
3440040000	Child Support Services Total	51,170					9,011			
3440100000	Office of Economic Opportunity Total	2,355					1,240			
3440110000	Weatherization Total		956	21235	Home Weatherization Assistance					
3440120000	Woodside Rehabilitation Center Total	53,818					9,009			
3440130000	DDS Total	0								
3460010000	Administration & Support Total	131,662					16,358			
3480001000	Administration Total	30,326					5,902			
3480002000	Parole Board Total	3,339					757			
3480003000	Education Total		12,844	21764	Education: Medicaid Reimbursement					
3480004000	Correctional Services Total	1,358,182					221,199			
3480005000	Facilities Recreation Fund Total		8,567	21190	Correctional Facilities Recreation Fund					
3675001000	Vermont Offender Work Program Total		18,074	59100	Correctional Industries Fund					
4100500000	VDOL Programs Total	64,158					4,224			
4100600000	VDOL Administration Total	6,579								
5100010000	Finance & Administration Total	61,043					8,161			
5100070000	Education Services Total	60,832					7,801			
5100170000	Tobacco Litigation Total		6,695	21370	Tobacco Litigation Settlement Fund					
5100310000	Act 117 Cost Containment Total		17,432	21764	Education: Medicaid Reimbursement					
6100010000	Administration, Management & Planning Total	53,425					10,524			
6120000000	Support & Field Services Total	0								
6130010000	Administration Total	9,116					2,189			
6130020000	Forestry Total	63,634					10,376			
6130030000	State Parks Total	4,231					856			
6130040000	Lands Administration Total	8,393					1,121			
6140020000	Management & Support Services Total	9,062					1,712			
6140030000	Air & Waste Management Total	11,064					1,234			
6140040000	Office of Water Programs Total	107,469					10,195			
6215000000	Natural Resources Board Total	45,221					2,393			
7100000000	Administration Division Total	28,079					5,603			
7110010000	Economic, Housing & Community Development Total	52,812					7,231			
7110080000	Downtown Transportation & Capital Improvement Fund Total		1,838	21575	Downtown Transportation & Capital Improvements Fund					
7130000000	Tourism & Marketing Total	10,224					2,200			
7150020000	Vermont Life Total	0								
8100000100	Finance & Administration Total	0								
8100000200	Aviation Total	0								
8100000800	Transportation Board Total	0								
8100001100	Program Development Total	0								
8100002000	Maintenance State System Total	0								
8100002100	Department of Motor Vehicles Total	0								
8100002200	Planning, Outreach & Community Affairs Total	0								
8100002300	Rail Total	0								
8100005700	Public Transit Total	0								
8110000200	Central Garage Total	0								
APPROP TOTALS		4,784,600	313,432			118,907	789,966	96,559	6,697	
	Labor contract savings in 27th payday(2010 Act 156 Sec B.1103(a)(1))	199,359					Take AOT Retirement reduction out of 27th payday approp (2010 Act 156 Sec B.1103(a)(1))	220,394		