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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. 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. 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

10/27/10 2:11 PM

2010 Act 156 Sec B.1101(e)(1) - labor contract savings

2010 Act 156 Sec B.1101(e)(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
11100020000	Secretary of Administration's Office Total	0	0				1,082	
11105500000	Communication & Information Technology Total	0	0				386	
11100030000	Budget & Management Total	11,261					2,003	
11150010000	Financial Operations Total	0	30,999				8,465	
11250000000	Operations Total	0	0				4,233	
11250000000	Employee Benefits & Wellness Total	0	27,375				34,731	
11300300000	Literaries Total	235,021	0					
11140010000	Administration/Collection Total	0	0					
11150100000	Administration Total	0	0					6,697
11150300000	Engineering Total	0	0					BU#01150
11150400000	Information Centers Total	43,456					7,792	
11150500000	Purchasing Total	15,566					2,054	
11600500000	Postal Services Total	0	0					
11601000000	Copy Center Total	0	0					
11601500000	Fleet Management Services Total	0	0					
11602500000	State Surplus Property Total	0	0					
11603000000	Property Management Total	0	0					
11604000000	General Liability Insurance Total	0	0					
11604500000	Workers' Compensation Insurance Total	0	0					
11605500000	Fee For Space Total	0	0					
12000100000	Governor's Office Total	8,300					2,788	
12100010000	Legislative Council Total	0					5,090	
12100020000	Legislature Total	0					2,478	
12100040000	Legislative Information Technology Total	0					981	
12200000000	Joint Fiscal Committee Total	0					1,140	
12300010000	Sergeant-At-Arms Total	0					356	
12400010000	Lieutenant Governor Total	1,751					1,088	
12500100000	Auditor of Accounts Total	4,606					9,541	
12600100000	Treasurer's Office Total	15,540						
12601600000	Unclaimed Property Total	0	0					
12700000000	State Labor Relations Board Total	699					454	
12100001000	Attorney General Total	40,463					12,624	
21100001000	Public Defense Total	61,912					12,138	
21100100000	Assigned Counsel Total	2,974					286	
21200000000	Judiciary Total	0					70,732	
21301000000	State's Attorney's Total	94,333					24,952	
21302000000	Sheriff's Total	63,126					8,168	
21400100000	State Police Total	273,433					21,808	96,559
21400200000	Criminal Justice Services Total	87,461					279	
21400300000	Emergency Management Total	1,444		21125	Hazardous Chemical Substances Emergency Response Fund			
21400400000	Fire Safety Total	75,097					1,350	
21400600000	Administration Total	26,154					4,020	
21400700000	Homeland Security Total	7,514					1,379	
21400800000	Radiochemical Emergency Response Program Total	14,122		21025	Radiochemical Emergency Response Fund		1,686	
21500100000	Administration Total	7,754					549	
21500200000	Air Service Contract Total	4,196					146	
21500300000	Army Service Contract Total	831					3,257	
21500400000	Building Maintenance Total	23,178					1,254	
21500500000	Veterans Affairs Total	9,087					1,542	
21700100000	Criminal Justice Training Council Total	9,489					1,376	
22000100000	Administration Total	7,703					3,601	
22002000000	Food Safety & Consumer Protection Total	52,401					1,434	
22003000000	Agricultural Development Total	9,543					4,817	
22004000000	Labs, Agricultural Resource Management & Environmental Stewardship Total	53,447						
22100010000	Banking Total	0						
22100110000	Insurance Total	0						
22100200000	Captive Insurance Total	0						
22100310000	Securities Total	0						
22100400000	Health Care Administration Total	0						
22350100000	Secretary of State Total	90,908					3,502	
22400000000	Regulation & Energy Total	0						
22500000000	Public Service Board Total	12,883		21698	PSD: Regulations/Energy Efficiency			
22600010000	Enhanced 9-1-1 Board Total	18,999		21709	PSB: Special Fees			
22600010000	Human Rights Commission Total	4,167		21711	Enhanced 911 Board			629
23000020000	Enforcement & Licensing Total	0		21970	Tobacco Litigation Settlement Fund			
23000030000	Administration Total	0						
23000070000	Warehousing & Distribution Total	0						

