

September 20, 2007

EMAIL MEMORANDUM

TO: All Constitutional Officers, Regional Jail Superintendents, Directors of Finance

FROM: Robyn M. de Socio, Executive Secretary

RE: Interim Measures to Reduce Spending

As you are all undoubtedly aware by now, the Commonwealth of Virginia is facing a shortfall of \$641 million in the current fiscal year. This was anticipated in the early summer, when news reports began to indicate concerns regarding revenue shortfalls. Additionally, in our email to you on June 22, the Compensation Board asserted to you the need to be extremely conservative with regard to discretionary expenditures, and indicated that it would be taking a conservative approach in considering requests throughout the year. On August 20, the Governor discussed revised forecasts of revenues and budget shortfalls with the General Assembly money committees and asked all state agencies to meet with their Cabinet Secretaries and the Department of Planning and Budget to explore ways to reduce their operating budgets by 5%.

This week, the Secretary of Finance has made presentations regarding the budget shortfall to the General Assembly money committees, and has indicated that the Governor is currently reviewing proposals submitted by Cabinet Secretaries last week and will announce his final reduction plan in early October.

At its meeting yesterday, the Compensation Board acted to take interim measures to limit spending in the areas of turnover and vacancy. This action is not an implementation of any budget reduction plan that may be directed by the Governor, but is a means of limiting spending to ensure existing budget concerns are addressed, so that the impact of any potential budget reductions in coming months is not critical in the current fiscal year. The action the Board took yesterday results in policy changes with respect to the use of turnover funds and vacancy funds, as follows:

Effective immediately

- No transfers of accumulated vacancy savings to other budget categories for any constitutional officer (this policy was already in place for Sheriffs' Offices and Regional Jails). There are two exceptions to this policy for the transfer of vacancy savings: transfer of savings that result from a position becoming vacant as a result of the incumbent being called to active military duty will be approved; and transfer of remaining salary funds will be approved for positions held vacant under the position reallocation policy.
- No transfers of turnover funds, either one-time or in the base, to the Temporary or Office Expense categories of your budget.
- Restricted use of turnover funds for salary actions

- Turnover funds may be used for salary increases in accordance with Compensation Board salary policy for New Hires and for Promotions/Upward Role Changes;
- Turnover funds may not be used for salary increases in accordance with Compensation Board salary policy for In-band Adjustments, which include Transfers, Internal Salary Adjustments or Upward class change within the pay band (exception: an internal salary adjustment may use turnover funds only for the purpose of restoring a salary to the entry level of the pay band that is below the entry level due to previous budget reductions – this is not applicable for Sheriffs/Regional Jails); and
- Base transfers of office expense or temporary funds for the purposes of providing salary increases in accordance with Compensation Board salary policy are not being restricted, but are still subject to Compensation Board review and approval at a monthly board meeting per current policy.

Effective October 1, 2007

- Restrictions in reimbursement for vacant positions for 90 days – effective October 1, 2007, any Compensation Board funded permanent position that is vacant or becomes vacant cannot be reimbursed for 90 days from the date of separation of the previous incumbent. Offices are not restricted from filling any vacant positions if the locality pays the salary of the position, but the officer may not request reimbursement for the position until the 91<sup>st</sup> day following the date of separation of the incumbent. New positions established this year that are vacant effective October 1, 2007 cannot be reimbursed for 90 days from the date the position was established in the officer's budget.

Again, the Compensation Board has taken action to modify existing policy as an interim measure to ensure that current budget concerns can be addressed within the current fiscal year until such time as the Governor announces his final plan with respect to budget reductions in early October. I have been working with your Association leadership to provide general information regarding the reduction process and to seek input, and will continue to work with you as we learn of the Governor's final plan with respect to potential budget reductions for the current year.

The COIN system has been updated to reflect these policy changes. If you need assistance processing transactions through the COIN system, please do not hesitate to contact your program Technician.

C: Compensation Board Members  
 The Honorable Viola O. Baskerville, Secretary of Administration  
 Compensation Board Staff  
 Governing Bodies  
 John W. Jones, Virginia Sheriffs' Association  
 Robert Q. Harris, Commonwealth's Attorneys' Services Council  
 Alan D. Albert, LeClair Ryan  
 John "Chip" Dicks, Future Law LLC  
 Michael Amyx, Virginia Municipal League  
 James D. Campbell, Virginia Association of Counties  
 Dean A. Lynch, Virginia Association of Counties

