

February 17, 2010

Dear Fellow State Employee:

Undoubtedly, the biggest challenge facing us this General Assembly Session is balancing the state budget. However, I know that the professional manner in which you have dealt with the 2008 and 2009 budget reductions will ensure that the services and programs our citizens depend upon will continue at their current high level. Please know that I and the citizens of Virginia appreciate the dedication you exhibit daily despite the adversity that has been imposed by the state budget situation.

I have devoted a great deal of time to reviewing the introduced budget to develop a framework for the General Assembly's consideration as they fulfill their duty to craft and pass a balanced budget. This framework includes proposals, both spending and savings, that affect state employee compensation and benefits.

- First, I recommend reversal of the proposal in the introduced budget that would require existing employees to pay a portion of the cost (1 percent in FY 2011 and 2 percent in FY 2012) of their Virginia Retirement System (VRS) retirement. I understand and agree that the current state payment of the employee share which began in 1983 is considered by you as part of your current state salary. I believe that restoring this proposed reduction is absolutely necessary due to your hard work and devotion to duty in these difficult times. In addition, I propose that state employees be given a one-time 3 percent bonus in December 2011.

- Second, I also have suggested that significant savings from reduced state contributions to VRS be captured. These savings will be accomplished by fully funding the normal cost of the state employee retirement program, as well as an additional 20 percent of the plans' unfunded liabilities. These proposed changes will not affect your current salary and will not in any way impact your current or future VRS benefits.

- In addition, because the state's health insurance program has generated substantial balances over the past few years, I am recommending that the FY 2011 premium increase be reduced and that program balances be used. This will reduce the proposed employee premium increase in FY 2011 and will not result in any additional benefit changes beyond those proposed in the introduced budget.

- Finally, to provide the General Assembly with a comprehensive range of savings options, I also noted that unpaid leave for state employees, or furlough days, of up to five days per fiscal year is a possible savings option during the 2010-12 biennium. While this is not easy to recommend, it is consistent with what is being implemented by other states and private industry. However, I would note that I have also asked that flexibility be provided by me to reduce any approved furloughs should the state's revenue situation improve, as I trust it will with our economic development focus.

Again, I understand all of the proposals I have provided the General Assembly impact services and programs. However, reductions to many of these programs will be necessary to produce a balanced budget that will provide me and the General Assembly the ability in the future to fund programs that are a priority. State employees will continue to be a priority as we emerge from these difficult budget times.

I am so grateful for your service to Virginia. During my 30 days in Office I have been most impressed with the dedication of our state workforce in handling emergencies, storms and everyday public service.

Thank for your continued dedication and hard work.

Sincerely,
Robert F. McDonnell
Governor