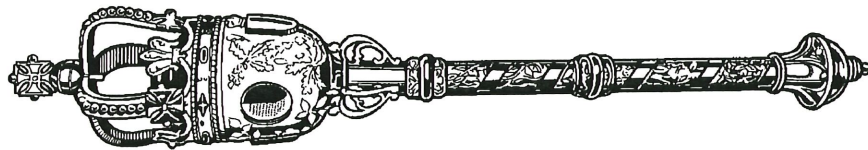


*Report of the
House Appropriations
Subcommittee*

on

Compensation & Retirement



*House Bill 29
&
House Bill 30*

February 18, 2018

REPORT OF THE SUBCOMMITTEE

on

COMPENSATION AND RETIREMENT

Mr. Chairman and Members of the Committee:

On behalf of the Compensation and Retirement Subcommittee, I am very pleased to present to you our budget recommendations. As always I want to thank the Chairman for his support and guidance.

Over the past decade the work of this Subcommittee has primarily focused on two areas, number one, addressing the benefit design and funded status of our retirement system, and number two, seeking the resources to provide adequate cash compensation to our hardworking employees through both across the board and targeted salary actions.

I am thrilled to report that through your leadership Mr. Chairman, and through the support of all of the members of this Committee during prior sessions, the Subcommittee did not have to address any funding issues with our retirement system this session. As a matter of fact the budget as introduced fully funded 100% of the VRS Board certified rates for our state employee and teacher plans while also producing \$54 million in general fund savings for the upcoming biennium from these updated rates. This savings would not have occurred if not for actions taken by this Committee under your leadership.

The improved status of our retirement system allowed our Subcommittee to focus this session on the issue of cash compensation.

The Subcommittee began our work by thoroughly reviewing the recent JLARC study on Total Compensation for State Employees. While JLARC did find that overall the state's compensation package was mostly competitive, but below market, it did identify numerous issues which need addressing. These include extremely high turnover in some agencies and job roles, low starting pay making it difficult to attract qualified employees and the irregular schedule by which the state has provided raises.

In addition to reviewing the study, the Subcommittee received comments from representatives of our employee groups and information from specific agencies that have high turnover and vacancy rates.

This information reaffirmed the Subcommittee's belief in the need to take a two pronged approach in developing our compensation proposal. The Subcommittee is committed to providing modest across the board salary increase at regular intervals while also providing targeted salary increases to address specific needs.

To this end I am pleased to report that the Subcommittee's recommendations includes \$148.9 million GF over the biennium to provide increased compensation to our employees. Included in this funding is \$68.5 million GF in FY 2020 to provide a 2% across the board salary increase for all state employees effective with the first paycheck of the fiscal year. The recommendations also includes \$24.6 million GF for an additional 1% merit based salary increase which will enable agencies to reward high performers and address hard to staff positions.

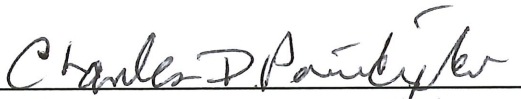
The Subcommittee recommendations also includes \$17.9 million to provide a 2% across the board salary increase for state supported local employees.

As well as addressing the need for across the board salary adjustments, the Subcommittee is please to recommend \$38.7 million GF for targeted salary increases beginning in the middle of fiscal year 2019. These recommendations include \$17.3 million to increase the salaries of nurses and direct care staff at facilities with the Department of Behavioral Health and Developmental Services to within 3 percent of the market median and \$20.9 million to provide targeted salary increases to correctional officers at the Department of Corrections, correctional officers at the Department of Juvenile Justice and to deputy sheriffs in localities where the sheriff has primary law enforcement responsibility.

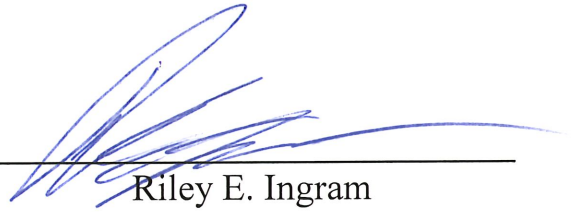
Finally, Mr. Chairman, I would like to take this opportunity to thank the members of this Subcommittee for their hard work this Session.

Mr. Chairman and fellow Committee members, I will ask staff to take you through our detailed recommendations, and then I hope it will be your pleasure to adopt our Subcommittee report.

Respectfully Submitted by the House Appropriations Subcommittee on
Compensation & Retirement:



Charles D. Poindexter, Chairman



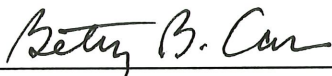
Riley E. Ingram



T. Scott Garrett



L. Nick Rush



Besty B. Carr



Paul E. Krizek



Matthew James

House Bill 29 Compensation and Retirement <u>Amendment</u>

General	Nongeneral
<u>Fund</u>	<u>Fund</u>

<u>FTEs</u>

Central Appropriations

Central Appropriations

Contingent State Employee Bonus in FY 2019

Language

House Bill 30 Compensation and Retirement <u>Amendment</u>

General	Nongeneral
<u>Fund</u>	<u>Fund</u>

<u>FTEs</u>

Office of Administration

Compensation Board

\$1,000 Sal. Incr. for Deputy Sheriffs in Localities with Law Enforcement Resp.

\$4,466,968

Department of Human Resource Management

Implement Shared-Savings Program

Language

Central Appropriations

Central Appropriations

Contingent State Employee Bonus in FY 2019

Language

Increase Salaries for Direct Care Staff at DBHDS Facilities

\$17,283,333

Fund FY 2020 2% Salary Increase for Full Year

\$37,003,746

Targeted Salary Increase for Virginia Marine Police

\$496,391

Improve Transparency in Pharmacy Costs

Language

DOC & DJJ - Salary Incr. for Corrections Officers

\$12,982,818

State Employees - Additional 1% Merit Increase

\$10,728,757

VRS Identify and Recover Stranded Liabilities

Language

Committee Approved Amendments to House Bill 30, as Introduced

Item 66 #1h

Administration	FY18-19	FY19-20
Compensation Board	\$1,116,742	\$3,350,226 GF

Language:

Page 45, line 13, strike "\$472,351,696" and insert "\$473,468,438".

Page 45, line 13, strike "\$473,924,902" and insert "\$477,275,128".

Page 48, after line 20, insert:

"O. The appropriations in this item includes \$1,116,742 the first year and \$3,350,266 the second year from the general fund to support the cost of providing sworn deputy sheriffs in localities that have primary law enforcement responsibility an increase in their annual salary equal to \$1,000 effective February 1, 2019."

Explanation:

(This amendment provides \$1.1 million from the general fund the first year and \$3.4 million from the general fund the second year for a \$1,000 increase in the salaries for sworn deputy sheriffs in localities where the sheriffs office has primary law enforcement responsibilities.)

Item 82 #1h

Administration

Administration of Health Insurance

Language

Language:

Page 71, after line 12, insert:

"J. The Department of Human Resource Management shall report to the Chairmen of the House Appropriations and Senate Finance Committees no later than November 1, 2018 on the progress of implementing a shared-services incentive program for the state employee health plan and the Local Choice Health Benefit Plan."

Explanation:

(This amendment requires the DHRM to incorporate a shared-savings incentive program as part of the health care programs it administers for public employees consistent with the recommendations in DHRM' review of shared-savings incentives programs completed in November of 2017.)

Item 474 #2h

Central Appropriations	FY18-19	FY19-20
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Committee Approved Amendments to House Bill 30, as Introduced

Central Appropriations	\$5,083,333	\$12,200,000	GF
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Language:

Page 411, line 7, strike "\$34,064,453" and insert "\$39,147,786".

Page 411, line 7, strike "\$140,835,833" and insert "\$153,035,833".

Page 419, after line 28, insert:

"U. The appropriations in this item includes \$5,083,333 the first year and \$12,200,000 the second year from the general fund to support the cost increasing the salaries for direct service associates, licensed practical nurses, and registered nurses employed in facilities of the Department of Behavioral Health & Developmental Services to within three percent of the market median effective January 10, 2019."

Explanation:

(This amendment provides \$5.1 million the first year and \$12.2 million the second year from the general fund to support salary adjustments for direct care staff who are employees of DBHDS facilities effective January 10, 2019 . A portion of this funding shall be transferred to the Department of Medical Assistance Services to support increased Medicaid payments to these facilities as a result of the salary increase.)

Item 474 #4h

Central Appropriations	FY18-19	FY19-20	
Central Appropriations	\$145,997	\$350,394	GF

Language:

Page 411, line 7, strike "\$34,064,453" and insert "\$34,210,450".

Page 411, line 7, strike "\$140,835,833" and insert "\$141,186,227".

Page 419, after line 28, insert:

"U. Included in this appropriation is \$145,997 the first year and \$350,394 the second year from the general fund to support the cost of the following salary adjustment for all members of the Virginia Marine Police effective January 10, 2019:

- 1.) The starting salary for officers of the Virginia Marine Police shall be set at \$41,814.
- 2.) Consistent with current practice, officers of the Virginia Marine police shall receive a five percent salary adjustment after completing one year of service resulting in a salary of \$43,905.
- 3.) The salary for all current members of the Virginia Marine Police with more than one year of service shall be the greater of \$43,905 or their current salary adjusted for a 6.5 percent increase."

Explanation:

(This amendment provides \$145,997 from the general fund the first year and \$350,394 from the general fund the second year salary adjustments for members of the Virginia Marine Police

Committee Approved Amendments to House Bill 30, as Introduced

effective January 10, 2019. The amendment provides for a \$6,500 increase in the starting pay for the marine police to equalize their start salary with the of conversation officers at the Department of Game and Inland Fisheries. In addition, the amendments provide a 6.5 percent salary adjustment for majority of the current member of the force.)

Item 474 #5h

Central Appropriations

Central Appropriations

Language

Language:

Page 412, after line 51, insert:

"7. The Department of Human Resource Management shall include language in contracts with third party administrators of the state employee health plan requiring the third party administrators to: 1) maintain policies and procedures for transparency in their pharmacy benefit administration programs; 2) transparently provide information to state employees through an explanation of benefits regarding the cost of drug reimbursement; dispensing fees; copayments; coinsurance; the amount paid to the dispensing pharmacy for the claim; the amount charged to the third party administrator for the claim by the third party administrator's pharmacy benefit manager; and the amount charged by the third party administrator to the Commonwealth; and 3) provide a report to the Department of Human Resource Management of the aggregate difference in amounts between reimbursements made to pharmacies for claims covered by the state employee insurance plan, the amount charged to the third party administrator for the claim by the third party administrator's pharmacy benefit manager, and the amount charged by the third party administrator to the Commonwealth as well as an explanation for any difference. The department shall report to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees on its implementation of this item by October 1, 2018."

Explanation:

(This amendment is self-explanatory.)

Item 474 #6h

Central Appropriations

FY18-19

FY19-20

Central Appropriations

\$3,347,888

\$9,634,930 GF

Language:

Page 411, line 7, strike "\$34,064,453" and insert "\$37,412,341".

Page 411, line 7, strike "\$140,835,833" and insert "\$150,470,763".

Page 419, after line 28, insert:

Committee Approved Amendments to House Bill 30, as Introduced

"U. The appropriations in this item includes \$3,140,950 the first year and \$9,138,280 the second year from the general fund to support the cost of a \$1,145 salary increase for Correctional Officers and Correctional Officers Seniors within the Department of Corrections effective January 10, 2019.

V. The appropriations in this item includes \$206,938 the first year and \$496,650 the second year from the general fund to support the cost of a \$975 salary increase for Correctional Officers and Correctional Officers Seniors within the Department of Juvenile Justice effective January 10, 2019."

Explanation:

(This amendment provides funding for targeted salary actions for correctional officers and correctional officers seniors at DOC, and DJJ. The funding calculation assumes increased starting salaries for vacant positions within the DOC but also assumes a reduction in overtime expenditures for DOC of \$1.5 million in fiscal year 2019 and \$2.0 million in fiscal year 2020 as the salary increase, and the \$3.0 million in funding provided for operating support is intended to address turnover and vacancy concerns for the Department.)
