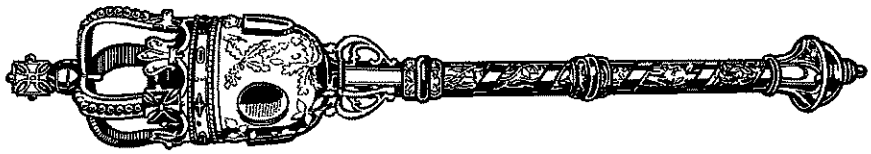
Report of the House Appropriations Subcommittee

on

Compensation & Retirement



House Bill 1700

February 3, 2019

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.

The subcommittee, under the Chairman's guidance, approached our work this year with two primary objectives. The first being to try to build-on, and increase, the employee salary actions included in Chapter 2 last year. As you recall, through the hard work of this Committee, Chapter 2 included $177 million general funds for across the board and targeted salary increases for state employees, faculty at our higher education universities, and our state supported local employees.

Our second objective, as always, was to thoroughly review our employee benefit programs to ensure they are financially sound and sustainable so that these benefits will be available to our employees and retirees not just today but for many years to come. While the subcommittee takes seriously our responsibility as financial stewards of our employee benefit programs, we also are firmly committed to reviewing the policies of these plans to ensure they are fair, equitable and appropriate.

Regarding our first goal, I am pleased to announce the subcommittee recommendations include $41.9 million from the general fund to enhance the compensation increases that were approved in Chapter 2 in fiscal year 2020. The recommendations include $18.5 million to increase the across the board increase for state employees scheduled for the beginning of fiscal year 2020 up to 2.75 percent and $4.8 million to increase the average merit adjustment for state employees up to 2.25 percent. In addition, the recommendations include $9.6 million for university faculty and $8.9 million for state supported local employees to increase their salary increases scheduled for the beginning of fiscal 2020 up to 3 percent.

These actions, along with the funding included in Chapter 2, will result in approximately $219 million in funding being included in the 2018-20 biennium for employee compensation increases.

This session, the subcommittee began our review of the employee benefit programs with a review of the proposal included in the introduced budget to increase the retiree health credit benefit for our state police officers and deputy sheriffs. While everyone on the subcommittee supports helping our public safety personnel and understands the financial strain health insurance premiums can have on our retirees, we agreed with your wisdom, Mr. Chairman, that it was extremely irresponsible to propose a benefit expansion to a program with a funded status below ten percent.

The proposal in the introduced budget would have increased the unfunded liability in our retiree health credit programs an additional $75 million, and decreased the funded status for the state employee plan to a level barely above 5 percent funded.

Instead Mr. Chairman, I am pleased to report that based on your guidance, the subcommittee is recommending $3.8 million general in fiscal year 2020 to shorten the period we are amortizing the unfunded liability for the state employee retiree health credit plan from 25 years to 20 years. Included in the recommendations from the Elementary Education Subcommittee is $4.4 million general fund for the same proposal for the teacher retiree health credit plan. The actuaries estimate that decreasing the amortization period to 20 years will save the state and our local school boards combined, $729.3 million over the life of the amortization period.

Additionally, I am thrilled to announce that subcommittee's recommendations includes savings of $46.1 million general funds from a premium holiday of two pay periods during fiscal year 2020. This recommendation is possible due to large cash balances that have accrued to the health insurance fund as a result of the proper management of the program and the behavior of our employees themselves. This recommendation is especially welcome because it not only results in the savings to the Commonwealth, but it will also result in a savings to our employees of $18.3 million.

Lastly Mr. Chairman, the members of this Subcommittee would like to thank you for your successful effort to expedite the upcoming JLARC study of our Workers' Compensation Program. This subcommittee has heard numerous bills in recent years regarding the Workers' Compensation Act and our first responders. We understand full well the complexity of these issues and the real impact these policies have on the lives of our first responders and their families. We agree having JLARC complete this review prior to the 2020 General Assembly session is a necessary step to allow the General Assembly to address these issues in a thoughtful and comprehensive manner.

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

Betsy B. Carr

Paul E. Krizek

Matthew James

House Bill 1700 Compensation and Retirement Amendment	General Fund	Nongeneral Fund	FTEs
Legislative Department			
Joint Legislative Audit and Review Commission			
JLARC Funding for Actuarial Support of Workers Compensation Study	$300,000		
Office of Administration			
Compensation Board			
Adjusts Salary Increase Provided to COR Career Development Plan Participation	$31,250		
Department of Human Resource Management			
HB 2055 - Review of Employee Recruitment, Retention, and Compensation	$250,000		
Develop Proposals to Support State Employees Who are Disabled Veterans	Language		
Develop Proposal for Reimbursement for Out of Network Emergency Services	Language		
Central Appropriations			
Central Appropriations			
Decrease Amortization Period to Address Retiree Health Credit Unfunded Liability	($4,296,120)		
Amend VRS Surcharge Language Addressing Stranded Liabilities	Language		
Capture Savings From Health Insurance Premium Holiday	($46,111,165)		
HB 2577 - Cover Autism Spectrum Disorder Regardless of Age	$21,500		
Increase FY 2020 Salary Adjustments	$1,744,545		
Eliminate Funding in the First Year for UVA Health Insurance Plan	($808,692)		
Independent Agencies			
Virginia Retirement System			
Strike Language Adding Ex Officio Members to VRS Board	Language		
Part 4: General Provisions			
Special Conditions and Restrictions on Expenditures			
Correct Technical Errors in Agency Head Salary Table	Language		

Item 31 #1h

Legislative Department	**FY18-19**	**FY19-20**	
Joint Legislative Audit and Review Commission	$300,000	$0	GF

Language:

Page 24, line 7, strike "$5,194,132" and insert "$5,494,132".
Page 27, after line 36 insert:
"I. Included within this appropriation is $300,000 the first year from the general fund is provided to support the cost of actuarial analysis and consultant costs in the completion of the JLARC review of Virginia Workers' Compensation program and policies."

Explanation:

(This amendment provides $300,000 from the general fund in fiscal year 2019 support consultant and actuarial costs associated with JLARC's review of the Workers' Compensation program.)

Item 69 #1h

Administration	**FY18-19**	**FY19-20**	
Compensation Board	$0	$31,250	GF

Language:

Page 59, line 12, strike "$18,622,744" and insert "$18,653,994".
Page 59, line 48, after "year," strike the remainder of the line.
Page 59, strike lines 49 through 51 and insert:
"the Compensation Board may increase the annual salary in paragraph A of this item by 9.3 percent following receipt of the commissioner's certification that the minimum requirements of the Commissioners' Career Development Program have been met, provided that such certifications are submitted by commissioners as part of their annual budget request to the Compensation Board on February 1 of each year."
Page 60, strike lines 1 through 13.

Explanation:

(This amendment conforms the salary increase percentage provided to qualified career development participants in the Commissioners of Revenue offices to those of the constitutional offices.)

Item 81 #1h

Administration	**FY18-19**	**FY19-20**

Department of Human Resource Management	$0	$250,000	GF

Language:

Page 76, line 13, strike "$108,114,532" and insert "$108,364,532".

Explanation:

(This amendment provides $250,000 from the general fund in fiscal year 2020 to effectuate the provisions of House Bill 2055 of the 2019 General Assembly Session. House Bill 2055 requires the Department to perform an annual review of 1) recruitment and retention trends, 2) the functions performed by each employee job role, 3) the number of employees and distribution of job roles across state agencies, and 4) how salaries for each job role compare to salaries paid by other employers in the Commonwealth. House Bill 2055 also requires the Department to make a report every odd numbered year recommending salary actions for inclusion in the Appropriation Act.)

Item 81 #2h

Administration

Department of Human Resource Management — Language

Language:

Page 78, after line 44, insert
"M. The Department of Human Resource Management shall work with the Department of Veteran Services to identify and promote policies to support the hiring and continued employment of disabled veterans in the state workforce. The Departments shall submit any recommendations for state workforce policy changes to the Chairmen of the House Appropriations and Senate Finance Committees by November 15, 2019."

Explanation:

(This amendment is self-explanatory.)

Item 82 #1h

Administration

Administration of Health Insurance — Language

Language:

Page 80, after line 15, insert:
"K. The Department of Human Resource Management shall convene a workgroup including stakeholders to develop a proposal to provide equitable and fair reimbursement to out-of-

network providers for emergency health care services working off of the proposals incorporated in House Bill 1714 of the 2019 General Assembly Session. The Department shall provide information on this proposal to the Chairmen of the House Appropriations and Senate Finance Committees by November 15, 2019."

Explanation:

(This amendment requires DHRM to develop a proposal to provide fair reimbursement for emergency services provided to out-of-network providers. The language requires a report be provided to the Chairmen of the House Appropriations and Senate Finance Committees prior to the 2020 General Assembly Session so that the proposal may be considered for the purpose of submitting legislation to address balance billing.)

Item 474 #4h

Central Appropriations	**FY18-19**	**FY19-20**	
Central Appropriations	$0	$21,500	GF

Language:

Page 486, line 12, strike "$239,537,205" and insert "$239,558,705".
Page 487, line 34, strike "$33,272,027" and insert "$33,293,527".

Explanation:

(This amendment provides $21,000 from the general fund in fiscal year 2020 for the state employee health insurance program to fund the impact of House Bill 2577 mandating health insurance coverage of autism spectrum disorder for all ages. The state employee health insurance program currently covers the services up through age 18.)

Item 474 #6h

Central Appropriations	**FY18-19**	**FY19-20**	
Central Appropriations	($808,692)	$0	GF

Language:

Page 486, line 12, strike "$45,716,965" and insert "$44,908,273".
Page 498, line 40, strike "$808,692 the first year".
Page 498, line 41, strike "and".

Explanation:

(This amendment removes funding proposed in House Bill 1700 as introduced to reimburse UVA for the increase in health insurance premiums for the UVA health insurance prorgram.

The Committee budget funding levels were limited to the additional dollars available pursuant to the economic reforecast presented in December, identified programmatic savings, and revenues generated by legislation expanding the collection of sales tax attributable to internet sales. All revenues attributable to the Tax Cuts and Jobs Act (TCJA) are captured in the Taxpayer Relief Fund and the Revenue Reserve Fund in Item 475.10. This required removing approximately $1.2 billion in spending compared to House Bill 1700 as introduced.)

Item 486 #1h

Independent Agencies

Virginia Retirement System — Language

Language:

Page 511, strike lines 37 through 42.

Explanation:

(This amendment strikes language included in the introduced budget to add the Secretary of Finance and the Staff Directors of the House Appropriations and Senate Finance Committees to the VRS Board of Trustees as ex-officio members.)

Item 4-6.01 #1h

Special Conditions and Restrictions on Expenditures

Employee Compensation — Language

Language:

Page 607, line 17, delete "Secretary" and unstrike "Commissioner."
Page 607, unstrike line 21.
Page 607, line 21, strike "$90,537" and $90,537" and insert:
"$90,537" and "$92,348".
Page 607, strike line 37.

Explanation:

(This amendment corrects technical errors in the introduced budget regarding the agency head salary listing for the Commissioner of the Department of Elections and the Director of Gunston Hall.)