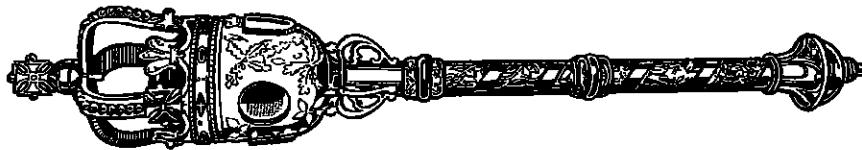


*Report of the
House Appropriations
Subcommittee*

on

Compensation & Retirement



House Bill 1400

February 5, 2023

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. First, as always, I would like to thank the Chairman for his support and guidance.

The work of this Subcommittee was made much easier this year due to incredible work done last year in the area of employee compensation and in our efforts to improve the funded status of our retirement system. The 2022 Budget included almost \$1.5 billion dollars to provide a 5% pay raise in each year of the current biennium for all employee groups. In addition, it included significant targeted increases in excess of \$330 million in this biennium for hard to staff positions.

While we accomplished much, we continue to face many challenges. The significant price inflation we have all experienced has diminished the value of the raises we funded last year and while last year's targeted salary increases have helped, we continue to face issues hiring and retaining staff. This is why I am pleased to announce that our recommendations include an additional \$113.1 million to increase the raise scheduled for the beginning of FY 2024 up to 7 percent, and it includes \$21.1 million for agencies to implement additional pay actions as needed to address staffing shortages, compression and acknowledge exceptional performers. In addition, the recommendations provide \$85.4 million in new targeted salary actions, the largest of which is \$36.5 million for employees of our local Community Service Boards. Mental health has been at the forefront of this Session, and it would be impossible to address our state's mental health needs without making sure our CSB employees are properly compensated for the important and life saving work they undertake.

In the area of benefits, once again the Subcommittees recommendations build on the work done last year. During last session, in the Ca-boose bill, we authorized a \$750 million lump sum payment in FY 2022 to the Virginia Retirement System to be spread across all the plans. Furthermore, in Chapter 2, the current biennial budget, we continued to proactively address the funded status of our benefit programs administered through the VRS by authorizing an additional \$250 million payment across all the plans as well as \$80.4 million that was earmarked specifically for the retiree health credit plans.

I am pleased to report that the recommendations include an increase in the lump sum payments made to the retiree health credit plans by an additional \$20 million. In addition, the recommendations include \$8.6 million to implement the provisions of HB 2314 and HB 1789 which provide an annual cost of living adjustment for the retiree health care credit for our state employees and employees of our constitutional officers. This annual adjustment is needed to provide the support to our retirees after many years of public service. Under your leadership Mr. Chairman I am confident we will continue to improve the financial status of our system while providing the quality benefits our employees deserve.


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 recommendations, and then I hope it will be your pleasure to adopt our Subcommittee report.

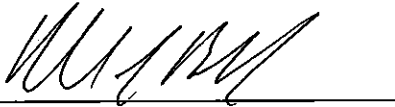
Respectfully Submitted by the House Appropriations Subcommittee on
Compensation & Retirement:



Emily M. Brewer, Chair



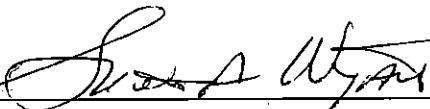
Glenn R. Davis, Jr.



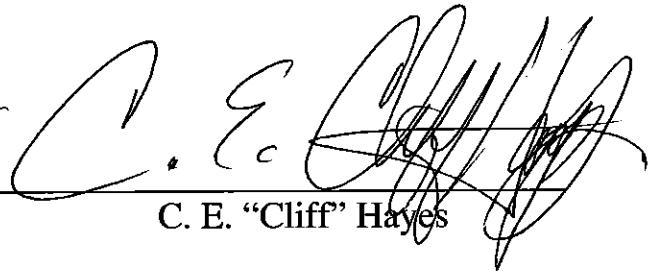
Robert S. Bloxom, Jr.



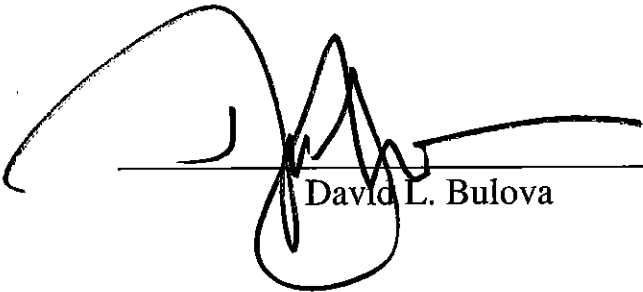
M. Keith Hodges



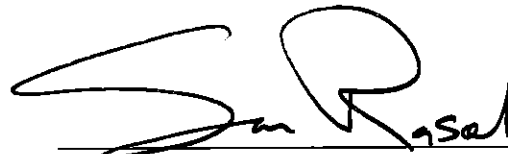
Scott A. Wyatt



C. E. "Cliff" Hayes



David L. Bulova



Sam Rasoul

Budget Amendment Recommendations

<u>Amendment</u>	2022-24 BIENNIAL TOTAL	
	General Fund	Nongeneral Fund

Net Major Spending Recommendations

Funding for Additional 2% Salary Increase	\$113,127,115
Funding to Agencies for Pay Actions	\$21,122,590

Amendments to Introduced Budgets

Office of Administration

Compensation Board

Consolidate Table Setting Out Sheriffs Salaries	\$1,331,673
Language Specifying Salary Action for Sheriffs Offices & RJs	Language
Increase Compensation for Asst. Commonwealth's Attorneys & Career Prosecutors	\$7,215,281

Office of Health and Human Resources

Virginia Health

Fully Fund OCME Staff Salary Adjustments	\$1,492,846
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Department of Behavioral Health and Developmental Services

Provide Additional Salary Adjustment for CSB Staff	\$36,535,694
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Office of Public Safety

Department of Corrections

Positions	(\$242,251)
Remove Proposed Compensation Increase for Vacant DOC Correctional Positions	(\$8,317,554)

Central Appropriations

HB 2314 - Provide COLA for Retiree Health Care Credit for State Employees	\$7,582,000
Redirect Funding for Employee Bonuses to Permanent Raises	(\$65,525,956)
HB 1789 - RHC for Retired Constitutional Officers and their Employees	\$750,000
Increase Lump Sum Payments for RHC Credit	\$20,000,000

Independent Agencies

Virginia Retirement System

Adjust VRS Administrative Funding to Reflect Impact of Legislation	\$495,000
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Consolidate Table Setting Out Sheriffs Salaries

Administration	FY22-23	FY23-24	
Compensation Board	\$0	\$1,331,673	GF

Language:

Page 51, line 10, strike "\$602,800,092" and insert "\$604,131,765".

Page 51, line 43, strike "\$82,796" and "\$82,796" and insert:
"\$113,673" and "\$113,673".

Page 51, line 44, strike "\$95,165" and "\$95,165" and insert:
"\$113,673" and "\$113,673".

Page 51, line 45, strike "\$104,579" and "\$104,579" and insert:
"\$113,673" and "\$113,673".

Page 52, line 2, strike "\$81,137" and "\$81,137" and insert:
"\$111,400" and "\$111,400".

Page 52, line 2, strike "\$93,263" and "\$93,263" and insert:
"\$111,400" and "\$111,400".

Page 52, line 2, strike "\$102,486" and "\$102,486" and insert:
"\$111,400" and "\$111,400".

Page 52, line 12, strike "\$76,239" and "\$76,239" and insert:
"\$104,579" and "\$104,579".

Page 52, line 13, strike "\$84,710" and "\$84,710" and insert:
"\$104,579" and "\$104,579".

Page 52, line 14, strike "\$94,119" and "\$94,119" and insert:
"\$104,579" and "\$104,579".

Explanation:

(This amendment to consolidate the population based perceived salaries of Sheriffs in population groups below 40,000 effective July 1, 2023, creating a new population group of 0-69,999. The outyear's annualized cost of this amendment would be \$1,452,734.)

Language Specifying Salary Action for Sheriffs Offices & RJs

Administration

 Compensation Board

 Language

Language:

Page 63, after line 11, insert:

"M. Included in this appropriation is \$13,894,938 from the general fund the second year for compensation adjustments for deputy sheriffs and regional jail officers to address compression issues which resulted from increasing the entry level starting pay to \$42,000. The funding is provided to allow for the traditional 4.56% salary adjustment at the end of the first year and fund an increase in the minimum salary for higher ranked positions."

Explanation:

(This amendment sets out language and the funding amount that was included in the introduced budget to provide salary adjustments for deputy sheriffs and regional jail officers.)

Item 76 #1h

Increase Compensation for Asst. Commonwealth's Attorneys & Career Prosecutors

Administration	FY22-23	FY23-24	
Compensation Board	\$0	\$7,215,281	GF

Language:

Page 60, line 32, strike "\$83,708,994" and insert "\$90,924,275".

Page 63, after line 11, insert:

"M. Included in this appropriation is \$7,215,281 the second year from the general fund to provide an additional 15 percent salary increase for Assistant Commonwealth's Attorneys and Career Prosecutors effective July 1, 2023."

Explanation:

(This amendment provides \$7.2 million from the general fund in fiscal year 2024 to increase salaries for Assistant Commonwealth's Attorneys and Career Prosecutors by an additional 15 percent to improve recruitment and retention.)

Item 289 #1h

Fully Fund OCME Staff Salary Adjustments

Health and Human Resources	FY22-23	FY23-24	
Department of Health	\$0	\$1,492,846	GF

Language:

Page 337, line 30, strike "\$19,246,111" and insert "\$20,738,957".

Page 337, after line 33, insert:

"Out of the amounts included in this appropriation, \$2,984,796 from the general fund in the second year is provided for salary adjustments within the Office of the Chief Medical Examiner to address retention and recruitment issues."

Explanation:

(This amendment adds \$1.5 million the second year from the general fund to fully fund salary adjustments in the Office of the Chief Medical Examiner. The introduced budget provided about one-half of the need in fiscal year 2024. This would bring the funding up to almost \$3.0 million. Currently, the office is experiencing a high level of vacancy and turnover due to the competitive salaries offered by other states for these positions.)

Item 313 #1h

Provide Additional Salary Adjustment for CSB Staff

Health and Human Resources	FY22-23	FY23-24
Grants to Localities	\$0	\$36,535,694 GF

Language:

Page 405, line 10, strike "\$655,486,687" and insert "\$692,022,381".

Page 411, after line 12, insert:

"RR. Out of this appropriation, \$36,535,694 from the general fund in the second year is provided for additional salary adjustments to all staff at the Community Service Boards."

Explanation:

(This amendment provides \$36.5 million GF in FY 2024 for salary adjustments for CSB staff. The funding equates to approximately five percent of total CSB payroll.)

Item 399 #1h

Remove Proposed Compensation Increase for Vacant DOC Probation and Parole Positions

Public Safety and Homeland Security	FY22-23	FY23-24
Department of Corrections	\$0	(\$242,251) GF

Language:

Page 484, line 22, strike "\$121,079,369" and insert "\$120,837,118".

Explanation:

(This amendment removes funding included in the introduced budget for the Department of Corrections to fund raises for positions that are currently vacant.)

Item 402 #1h

Remove Proposed Compensation Increase for Vacant DOC Correctional Positions

Public Safety and Homeland Security	FY22-23	FY23-24	
Department of Corrections	\$0	(\$8,317,554)	GF

Language:

Page 487, line 47, strike "\$886,141,761" and insert "\$877,824,207".

Explanation:

(This amendment removes funding provided in the introduced budget for the Department of Corrections to provide raises to currently vacant correctional officer positions.)

Item 483 #1h

HB 2314 - Provide COLA for Retiree Health Care Credit for State Employees

Central Appropriations	FY22-23	FY23-24	
Central Appropriations	\$0	\$7,582,000	GF

Language:

Page 564, line 21, strike "\$823,699,360" and insert "\$831,281,360".

Page 567, after line 37, insert:

"6. Out of the appropriation for this item, amounts estimated at \$7,582,000 the second year, from the general fund shall be transferred to state agencies and institutions of higher education, to support the general fund portion of costs associated with changes in employer contributions for state employee benefits as provided for in this paragraph."

Explanation:

(This amendment provides \$7.6 million from the general fund in fiscal year 2024 pursuant to the passage of House Bill 2314 which provides a cost of living adjustment for the monthly retiree health care credit benefit for state employees who retire with at least 30 years of service.)

Redirect Funding for Employee Bonuses to Permanent Raises

Central Appropriations	FY22-23	FY23-24	
Central Appropriations	\$0	(\$65,525,956)	GF

Language:

Page 564, line 21, strike "\$823,699,360" and insert "\$758,173,404".

Page 566, line 48, strike "\$13,807,183" and insert "\$15,407,183".

Page 571, line 12, strike "\$390,105,610" and insert "\$474,595,971".

Page 571, line 18, strike "five" and insert "7.0".

Page 571, line 12, strike "five" and insert "5.0".

Page 572, line 12, after "2022 and" insert "7.0 percent".

Page 572, line 30, after "additional" strike "five" and insert "7.0".

Page 572, line 40, strike "five" and insert "7.0".

Page 573, line 2, strike "\$113,435,166" and insert "\$137,965,117".

Page 573, line 4, strike "\$14,740,641" and insert "\$17,760,662".

Page 573, line 6, strike "five" and insert "7.0".

Page 573, line 9, strike "\$5,304,518" and insert "\$6,391,300".

Page 573, line 11, strike "five" and insert "7.0".

Page 574, strike lines 4 through 52 and insert:

"AA.1. In addition to the amounts provided for compensation actions authorized in this item, \$21,122,590 from the general fund in the second year shall be transferred to executive branch agencies, institutions of higher education, legislative branch agencies and judicial branch agencies based on the general fund allocations that would be provided to these agencies for an additional 0.5 percent salary increase. The funding provided in this paragraph shall be available at the discretion of each agency to support compensation actions for full-time salaried employees to address turnover, vacancies, and compression issues or to acknowledge exceptional work performance. These actions may include salary increases, retention or high performance bonuses and sign-on bonuses.

2. For executive branch agencies and institutions of higher education the compensation actions effectuated based on the provisions of this paragraph must be in compliance with the compensation policies set out in policy 3.05 by the Department of Human Resource Management.

3. Agencies which rely on nongeneral funds for employee compensation, including independent agencies, are authorized to provide up to 0.5 percent of their nongeneral fund salary base for the compensation actions authorized in this paragraph.

4. The salary actions authorized in this paragraph shall not be provided to any employee whose salary is expressly stated in this act.

5. Executive branch agencies shall provide a report to the Department of Human Resource Management by December 1, 2023 detailing the compensation actions effectuated based on the funding provided in this paragraph."

Explanation:

(This amendment redirects \$199.8 million included in the introduced budget for bonuses. \$113.1 million of this from general fund funding is provided to increase the fiscal year 2024 salary increase for state employees, and state supported local employees from five percent to seven percent. \$21.1 million is provided to the allocations to implement targeted pay actions as needed. The remaining \$65.2 million is captured in this amendment and redirected to higher education to support what would otherwise be the nongeneral fund cost of the employee compensation actions as part of the tuition moderation amendment.)

Item 483 #3h

HB 1789 - RHC for Retired Constitutional Officers and their Employees

Central Appropriations	FY22-23	FY23-24	
Central Appropriations	\$0	\$750,000	GF

Language:

Page 564, line 21, strike "\$823,699,360" and insert "\$824,449,360".

Page 567, after line 37, insert:

"6. Notwithstanding the language in subparagraph 4. above, the appropriation for this item includes \$750,000 the second year, from the general fund shall be provided to support the increased costs for retiree health care credits for Constitutional Officers pursuant to the passage of House Bill 1789 of the 2023 General Assembly Session."

Explanation:

(This amendment provides \$750,000 from the general fund in fiscal year 2024 pursuant to the passage of House Bill 1789 which provides a cost of living adjustment for the monthly retiree health care credit benefit for constitutional officers and their employees who retire with at least 30 years of service.)

Item 483 #4h

Increase Lump Sum Payments for RHC Credit

Central Appropriations	FY22-23	FY23-24
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Central Appropriations \$0 \$20,000,000 GF

Language:

Page 564, line 21, strike "\$823,699,360" and insert "\$843,699,360".
Page 573, line 34, strike "\$55,100,000," and insert "\$75,100,000".
Page 573, line 39, strike "\$52,800,000" and insert "\$72,700,000".
Page 573, line 41, strike "\$1,576,017" and insert "\$1,676,017".

Explanation:

(This amendment provides \$20.0 million GF in FY 2024 to increase the lump sum payments to the VRS for the retiree health care credit from \$55.1 million to \$75.1 million.)

Item 498 #1h

Adjust VRS Administrative Funding to Reflect Impact of Legislation

Independent Agencies	FY22-23	FY23-24	
Virginia Retirement System	\$420,000	\$75,000	NGF

Language:

Page 598, line 32, strike "\$19,788,287" and insert "\$20,208,287".
Page 598, line 32, strike "\$19,645,202" and insert "\$19,720,202".

Explanation:

(This amendment provides \$420,000 from the nongeneral fund in fiscal year 2023 and \$75,000 from the nongeneral fund in fiscal year 2024 to fund the administrative impact of House Bill 1630, House Bill 1789, and House Bill 2314 of the 2023 General Assembly Session.)
