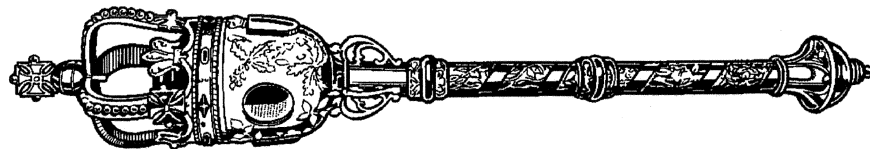


*Report of the
House Appropriations
Subcommittee*

on

Compensation & Retirement



House Bill 1500

February 5, 2017

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. Your support for the efforts of this subcommittee has been especially important this year. For much of the past decade the Commonwealth' revenue levels and budget demands have made providing compensation adjustments on a consistent basis all but impossible. As a result, our compensation package has continued to fall farther and farther below market level. This fact, compounded with the considerable disappointment from the elimination of the salary adjustments that were scheduled for fiscal year 2017, contingent on the 2016 final revenues, made it vitally important that we begin to address compensation levels during this session.

To this end, I am thrilled to report that the subcommittee recommendations includes \$70.2 million general fund for a three percent salary increase for state employees, including higher education faculty and staff, effective in July of 2017, as well as \$15.6 million general fund for a two percent increase for state supported local employees.

Since the Chairman announced on the floor of the House several weeks ago that the raise would be included in the budget, there have been numerous articles written and a lot of conversation regarding the increase. I think this is an unfortunate sign of how few salary adjustments have occurred over the past decade. A modest cost of living adjustment should be the norm, not a front page news story.

In addition to the across the board salary increase, the subcommittee felt it was necessary to provide additional targeted salary actions for specific agencies and job classifications in particular distress.

Specifically the Subcommittee spent a great deal of effort this session examining the compensation levels of our public safety personnel and how they compare to local police departments and public safety personnel in other states. After a thorough review, I am pleased to announce the subcommittee recommendations include:

- \$14.6 million GF to provide a \$6,793 salary increase for all sworn troopers of the State Police
- \$534,412 GF to provide an additional increase for Capitol police
- \$7.3 million to provide a compression adjustment for employees in sheriffs' offices and regional jails

The subcommittee is also recommending additional salary adjustments for our district court deputy clerks and nine other positions, mostly in the health care field, which continue to experience a high rate of turnover.

While the subcommittee did focus a lot of its work this session on salary issues, the funded status and benefit levels of our retirement system remains a priority of the subcommittee. In regards to the funding of the system, I am happy to report that the subcommittee rejected the proposal to pullback from the decision made last year to fund 100 percent of the VRS Board certified rate in fiscal year 2018 for the teacher plan, one fiscal year earlier than the scheduled phase-in based on Chapters 701 and 823 of the 2012 General Assembly Session.

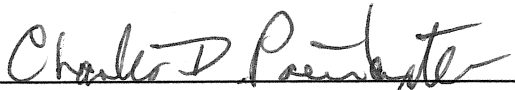
While we appreciate that reducing the rate in FY 2018 would result in short term savings to the localities, maintaining the commitment to fund 100 percent of the rates sends a message to our em-

ployees, retirees and the rating agencies that we are committed to addressing the systems unfunded liability. It will also save the localities and the state money in the long-run when contribution rates are calculated for future bienniums.

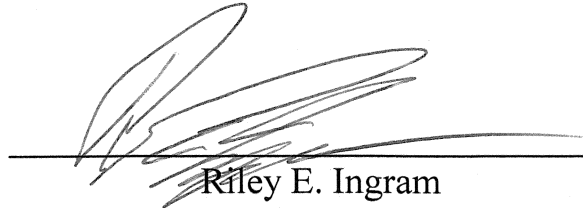
Finally, Mr. Chairman, I would like to take this opportunity to thank the members of this Subcommittee for their hard work this Session.

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:



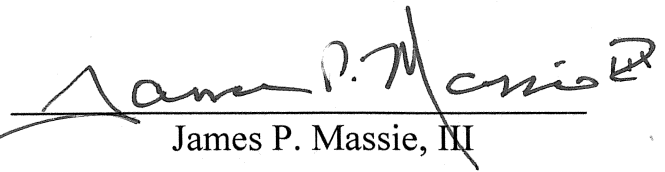
Charles D. Poindexter, Chairman



Riley E. Ingram




L. Scott Lingamfelter



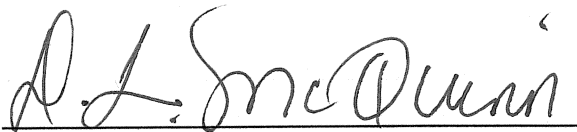
James P. Massie, III



T. Scott Garrett



Betsy B. Carr



Delores L. McQuinn

**HB 1500
Amendment**

| 2014-16 Biennium | | |
|---------------------|------------------------|------------|
| <u>General Fund</u> | <u>Nongeneral Fund</u> | <u>FTE</u> |

Compensation and Retirement

Legislative Department

Capitol Police

Pay Adjustment Based on Market for Capitol Police \$534,412

Joint Legislative Audit and Review Commission

Provide Funding for Total Compensation Study \$200,000

Judicial Department

Judicial Department Reversion Clearing Account

Adjust Funding for District Court Clerks Sal. Increase - Start Date (\$208,333)

Executive Offices

Attorney General and Department of Law

Report on Administrative Salary Actions Within the OAG Language

Office of Administration

Compensation Board

Sheriffs - Redirect Funding from CDP to 2% Salary Increase \$3,751,661

2% Salary Increase for Local Finance Director Offices \$93,387

COR: Redirect Funding from CDP to 2% Salary Increase \$79,451

Comm. Attny - Redirect Funding from CDP to 2% Salary Increase \$536,375

Circuit Court Clerks - Redirect Funding from CDP to 2% Salary Increase \$157,004

Treasurers - Redirect Funding from CDP to 2% Salary Increase \$159,020

Department of Human Resource Management

Provide Staffing for New Local Option Health Insurance Plan 5.00

Provide FTEs to Support Line of Duty Program in the First Year 2.00

Administrative Funding Pursuant to HB 1555 \$140,000 1.00

Implement Recommendations of the Pension Reform Comm. Language

Shared Savings Incentive Program Language

Office of Technology

Virginia Information Technologies Agency

Adjust VITA Rate to Reflect 3% Salary Increase \$421,066

Central Appropriations

Additional Funding for Salary Increases in FY 2018 \$18,107,902 \$12,884,652

Report on Pharmacy Claims Language

Additional 2% Salary Increase for 9 High Turn Over Positions \$2,855,958

Adjust Funding Provided for Federal FLSA (\$3,000,000)

Adjust Funding for VITA to Reflect 3% Salary Increase \$145,392

Reporting on New Internship Program Language

Virginia Retirement System

Administrative Funding Pursuant to HB 2251 \$1,500,000

Part 4: Special Conditions and Restrictions on Expenditures

VRS Use of Outside Counsel Language

Language Pertaining to New Agency Head Salary Language

Total Compensation and Retirement \$23,552,229 \$14,805,718

Item 4-5.02 #1h

Special Conditions and Restrictions on Expenditures

Third Party Transactions

Language

Language:

Page 556, line 10, after "seek" insert "i)".

Page 556, line 10, after "jurisdictions" insert:

", and ii) legal advice related to its investments".

Explanation:

(This amendment adds VRS hiring outside counsel related to investments to the list of exceptions where agencies can contract for legal advice without going through the Office of the Attorney General.)

Item 4-6.01 #1h

Special Conditions and Restrictions on Expenditures

Employee Compensation

Language

Language:

Page 564, line 33, after "range" insert:

"except if the new hire was employed in a state classified position, then the Governor may exceed the maximum salary for the position and set the salary for the employee at a salary level not to exceed the employees salary at their prior state position."

Explanation:

(This amendment clarifies that an individual promoted from a state classified position to an agency head position will not automatically be subject to a pay reduction if their prior position salary exceeds the maximum salary range for the agency head position. For example, if a physician is promoted to agency head, his or her salary can be maintained at the previous level.)
