# Governor's FY 2016 Budget: Articles

Staff Presentation to the House Finance Committee April 16, 2015

# Introduction

- Article 22 Personnel Reform
  - Governor requested amendment
- Article 23 Corrections
- Article 25 State Police Pensions

## Introduction – Article 22

- Classification issues
- Salaries
  - Longevity
  - Directors' salaries
- Health benefits
- Personnel administration
  - Personnel Appeal Board
  - Probationary period
  - Reemployment list

## Article 22 – Personnel Reform

- Budget includes \$22.0 million in savings from unidentified statewide personnel savings
- Administration has indicated its plans to negotiate with labor to achieve savings in addition to any savings changes derived from changes included in the article

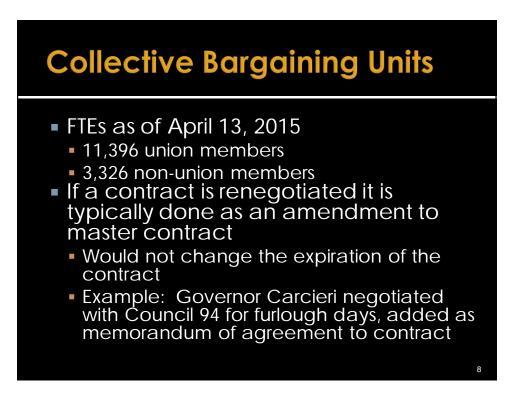
## Who decides what?

- General Laws Title 36
  - Classifications
  - Retirement Benefits, Employee Contribution, Retiree Health Benefit
  - Collective bargaining rights and scope
- General Laws Title 16
  - Board of Education Authority
  - Longevity for education employees

## Who decides what?

- Collective Bargaining
  - Cost of living adjustments
  - Schedules
  - Medical benefits; Employee co-shares
  - Layoffs and leave time
  - Other benefits: incentive pay, education, clothing allowances

Introduction		
Proposals	Union	Non-Union
Probationary period	CBA/GL	GL
Longevity	CBA/GL	GL
Health benefits	CBA/GL	GL
Layoff and reemployment preferences	CBA/GL	GL
Promotional restoration	CBA/GL	GL
<ul> <li>CBA = collective ba</li> <li>GL = general law</li> </ul>	rgaining	agreement



# **Collective Bargaining Units**

- 50 union contracts
  - 38 unions Executive Branch control
    - Council 94, Local 580, RIBCO, Troopers
    - Most expired June 30, 2012
    - Troopers expired 4/30/2013, subject to a wage re-opener for last year of contract
       In interest arbitration
  - Higher Education
    - I contract expired in 2010;1 in 2012
    - 8 contracts expired in 2013
    - 2 expired in 2014



- Classified
- Unclassified
  - Positions specifically established by RIGL 36-4-2 or other statutes
    - Employees of elected officials, courts, dept. directors, independent agencies, or public authorities
    - Employees involved in policy making
- Non-classified
  - Positions covered under Board of Education
  - Incl. senior administrative staff and faculty





#### Article 22 – Classification Issues

- Section 1 Higher Education
  - Converts higher education classified positions to non-classified positions and removes them from the merit system
  - Applies to employees hired as of July 1
  - Also applies to existing employees as of September 1

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## Article 22 – Higher Ed. Positions

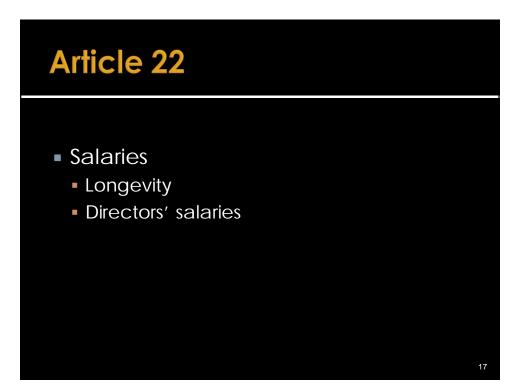
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#### Article 22 – Classification Issues

- Current law requires all positions be classified unless they are specified in the general laws
- Section 3 adds 5 positions for HealthSource to the unclassified service
  - Director, deputy director, administrative assistant, senior policy analyst, & Chief strategic planning, monitoring & evaluation

#### Article 22 – Classification Issues

- Sections 3 & 4
  - Allows DOA director to deem senior agency level positions that are ineligible for union membership as unclassified
  - Would be done as positions are vacated and created
  - Director would also determine compensation





### Longevity Increases - % of Salary

Years of Service	Education Board	All Others
5	-	5.0%
11	5.0%	10.0%
15	-	15.0%
20	10.0%	17.5%
25	-	20.0%

 2011 Assembly froze longevity increases for all employees, effect. 7/1/11 or upon expiration of contracts

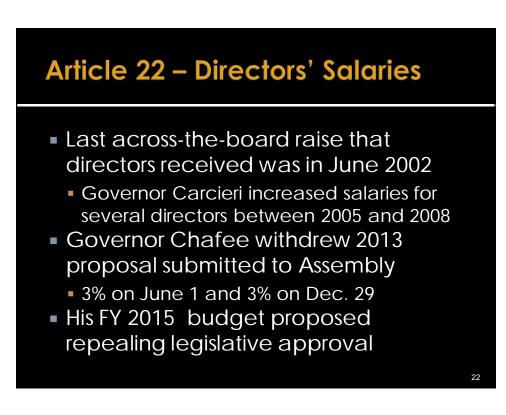
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• Ed. Board at \$ and all other at %

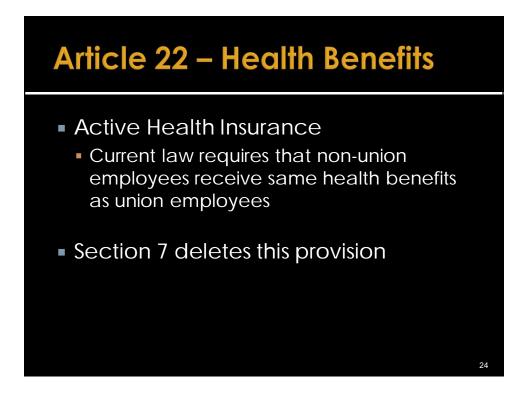


#### Article 22 – Directors' Salaries

- Directors' salaries
  - Repeals legislation that requires Administration to refer proposed salaries for cabinet directors to Assembly by the last day in April following a March public hearing
    - If Assembly does not act, goes into effect
  - Compensation would be determined by DOA director







# Article 22 – Retiree Health

- 2008 legislation included significant reductions in benefits to those retiring after October 1, 2008
- Intended to reduce unfunded liability & allow state to move to actuarial funding
- Set up framework for actuarial funding effective July 1, 2008 (2-year delay because of budget pressures)

#### Retiree Health – Post FY 2008

- Employees retiring after Oct 1, 2008 subject to new rules
- New retirees must have at least 20 years of service and be age 59 to get state subsidy
  - Subsidy is 80% with retiree cost share of 20% of the <u>actual cost</u> of plan
- State employees & teachers allowed to buy plan at 100% of cost

# Retiree Health - Medicare Exchange

- 2012 Assembly adopted legislation establishing a Medicare exchange for eligible retirees
  - Offer a wider array of health benefit choices
  - Lower cost through competition
- Savings estimated at \$1.8 million annually all funds, \$1.0 million gen. rev.

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## Retiree Health – Medicare Exchange

- There were 2 plans for those over 65 with Medicare Parts A&B
  - <u>Supplemental 65</u>: no pharmacy, dental, or vision and no deductibles or copays
     Annual cost of \$2,705
  - Medicare Advantage HMO: includes limited vision and dental and includes copays
    - Annual cost of \$2,304

#### Retiree Health – Medicare Exchange

- State set up a Health Reimbursement Arrangement (HRA) for each retiree and deposits state subsidy into account each month
  - Same % of subsidy that retiree is currently getting
  - Maximum state contribution equal to lowest cost plan, adjusted for age, comparable to highest former plan (Supplemental 65)

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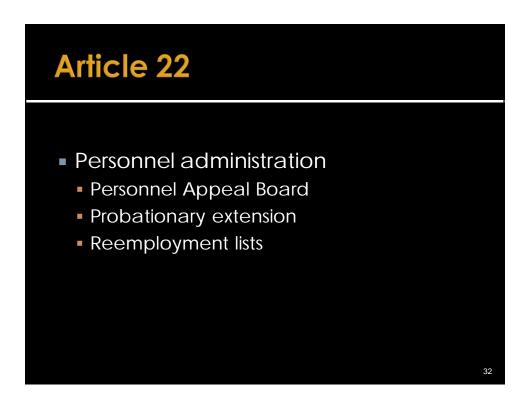
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## Article 22 – Health Benefits

- Retiree Health Insurance
  - Removes mandate that pre-2008 retirees benefit is based on active rate
    - Would be based on actual cost same as post 2008 retirees
  - Strike language describing specific benefit structure
  - Make payment deduction from retirement check at the discretion of DOA director

# Article 22 – Retiree Health

BeforeAfter Oct.Plan TypeOct. 11, 2008Difference2008
Individual \$7,122 \$11,331 \$4,209
Family \$19,967 \$31,527 \$11,560





- Personnel Appeal Board
  - Holds hearings regarding state employees' personnel appeals
  - 5-member board
  - 6-year appointments by Governor
- Hearings generally cover 2 types of cases
  - Desk Audits
  - Disciplinary



- Personnel administrator makes a decision on a desk audit or disciplinary matter
- Employee (typically non-union)
  - If desk audit, appeal to administrator of adjudication; next appeal is Personnel Appeal Board
  - If disciplinary matter, appeals to Personnel Appeal Board, next appeal is Courts

# Article 22 – Personnel Admin.

- Personnel Appeal Board can:
  - Uphold personnel administrator's decision
  - Present a new ruling
- Section 2
  - Allows Board to reverse an action of the personnel administrator <u>only</u> if Board finds that an action had been arbitrary, <u>capricious</u>, or contrary to rule or law



- Probation
  - Extends probationary period for all positions from six months to 12 months
    - Contrary to current collective bargaining agreement
- Today's requested amendment is for no change and maintains current law for all employees

# Article 22 – Personnel Admin.

- Reemployment and "bumping"
- Several sections of law deal with employee rights for employment and reemployment in the cases of layoffs or other separations
  - Art 22 proposes changes that limit those rights
- Today's requested amendment limits impact to non union employees

### Article 22 – Personnel Admin.

- An employee who is promoted, but dismissed during probation must be restored to former position
- Article makes it permissive rather than mandatory
- Today's requested amendment makes it applicable to only non-union employees

# Article 22 – Personnel Admin.

- Reemployment list
  - Classified employees who resigned in good standing may request to personnel administrator to have name place on list
  - If approved, they receive notifications when positions becomes vacant
    - Consideration, not guaranteed employment
- Article eliminates list
- Amendment = applicable to non-union



- Preferred Reemployment list -layoffs
  - Classified employees with permanent status (completed probation) gets laid off
    - Names goes on list
    - Preference for future hiring if state needs to fill same or comparable position
- Article eliminates list
- Today's requested amendment makes it applicable to only non-union employee

# Article 23 – Corrections

- Mandates correctional officers complete weapons qualification no sooner than every two years
- Current law allows for it to occur sooner
- The Budget assumes \$0.5 million in savings



- July of 2007, Assembly amended the weapons qualification statutes
  - RIGL 11-47-17 and RIGL 11-47-17.1
- Allows correctional officers to qualify with their weapons every two years, as opposed to every year
- Savings for ammunition, mileage, overtime and range costs

# Article 23 – Corrections

- Rhode Island Brotherhood of Correctional Officers filed grievance
- Annual qualifications included in CBA
- Arbitrator ruled statute did not preclude annual qualifications
- Annual qualifications have remained

## Article 23 – Corrections

- Article clarifies the statute is meant for correctional officers to qualify on a biennial basis <u>only</u>
- Budget includes savings of \$0.5 million in FY 2016
- RIBCO currently negotiating contract

- Establishes a trust fund to pay State Police pensions
  - For those hired on or before July 1, 1987
  - Currently paid on a pay-go basis
- Seeded with \$15.0 million from Google settlement funds and \$16.6 million from general revenues
- FY 2016 budget assumes \$1.0 million in savings



- Members hired before July 1, 1987 were not required to contribute to their pensions
  - As of January 1, 2015, unfunded liability of approximately \$200 million for that group
- Members hired on or after July 1, 1987 participate in the Retirement System
  - Members contribute 8.75% of payroll
  - State contributes 16.58% of payroll in FY 2016

- In 2011, DPS named 1of 5 state agency recipients of Google forfeited funds
  - Result of Google's violation of Federal Food, Drug &Cosmetic Act & Controlled Substances Act
- Any state/local law enforcement agency directly participating in investigation or prosecution resulting in federal forfeiture may request a share of the proceeds

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#### Article 25 – State Police Pensions

Entity	Total Received	Used for Pensions*	Used for Other	Remaining Funds
State		(in mi	llions)	
Attorney General	\$60.0	-	\$8.5	\$51.5
State Police	45.0	15.0*	11.7	18.3
RI National Guard	5.0	-	0.2	4.8
Total State	\$110.0	\$15.0	\$20.4	\$74.6
City of East Providence	60.0	49.2		
North Providence	60.0	20.6		
Total	\$230.0	\$84.8		
*proposed in Article 2	25			

Arti	cle 2	5 – Sto	ate Po	lice F	Pension	S
Fiscal Year	Pay-Go Cost	General Revenue	Google Funds	Total Trust Fund	General Revenue Difference	
2016	\$17.9	\$16.7	\$15.0	\$31.7	\$(1.1)	
2017	17.6	16.7	-	16.7	(0.9)	
2018	17.4	16.7	-	16.7	(0.7)	
2019	17.1	16.7	-	16.7	(0.4)	
2020	16.9	16.7	-	16.7	(0.1)	
2021	16.6	16.7	-	16.7	0.1	
2022	16.4	16.7	-	16.7	0.3	
2023	16.1	16.7	-	16.7	0.6	
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- FY 2016 payment
  - \$16.7 million from general revenues
  - \$15.0 million from Google funds
- FY 2017 FY 2033
  - State pays \$16.7 million from general revenues
- FY 2033 trust is fully funded
- Trust Fund pays all remaining benefits

	(in millions)
Pay-Go Costs	\$473.6
General Revenues	\$301.4
Google Funds	15.0
Total Trust Fund	\$316.4
General Revenue Savings	\$(172.2)
	General Revenues Google Funds <b>Total Trust Fund</b> General Revenue

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