

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

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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

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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

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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

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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

- CBA = collective bargaining agreement
- GL = general law

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Collective Bargaining Units

- FTEs as of April 13, 2015
 - 11,396 union members
 - 3,326 non-union members
- If a contract is renegotiated it is typically done as an amendment to master contract
 - Would not change the expiration of the contract
 - Example: Governor Carcieri negotiated with Council 94 for furlough days, added as memorandum of agreement to contract

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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
 - 1 contract expired in 2010;1 in 2012
 - 8 contracts expired in 2013
 - 2 expired in 2014

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Divisions of State Service

- 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

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Divisions of State Service

- Classified Service
 - Competitive - civil service examinations

 - Non-Competitive
 - Positions include routine, laboring, custodial, or domestic tasks; subject to continuing supervision
 - Require licenses, certificates, or registrations

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Article 22

- Classification Issues

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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

FY 2016 Gov.	Classified Employees	Total Employees
OPC	14.0	30.0
URI	794.8	2,456.5
RIC	270.6	923.6
CCRI	235.6	854.1
Total	1,315.0	4,264.2

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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

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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

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Article 22

- Salaries
 - Longevity
 - Directors' salaries

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Longevity

- % increase on base salary once a certain number of years is reached
- Collective bargaining agreements for union employees
 - Different increases for non-classified education employees
 - Governed by General Laws, Title 16
- Personnel rule for non-union employees

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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
- Ed. Board at \$ and all other at %

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Article 22 – Longevity

- Section 6 Longevity
 - Freezes longevity at amount earned
 - Later of June 2015 or last pay period prior to expiration of applicable collective bargaining agreements
 - Exclude from base so longevity will not grow with other raises
 - No impact on final calculations used to determine pensions
- *Today's requested amendment rescinds this proposal*

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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

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Article 22 – Directors’ Salaries

- Last across-the-board raise that directors received was in June 2002
 - Governor Carcieri increased salaries for several directors between 2005 and 2008
- Governor Chafee withdrew 2013 proposal submitted to Assembly
 - 3% on June 1 and 3% on Dec. 29
- His FY 2015 budget proposed repealing legislative approval

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Article 22

- Health Benefits

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Article 22 – Health Benefits

- Active Health Insurance
 - Current law requires that non-union employees receive same health benefits as union employees
- Section 7 deletes this provision

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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)

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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 actual cost of plan
- State employees & teachers allowed to buy plan at 100% of cost

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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
 - Supplemental 65: 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

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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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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

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Article 22 – Retiree Health

Annual Cost to Retiree	Retirement Date		
	Before Oct. 1 2008	After Oct. 1, 2008	Difference
Plan Type			
Individual	\$7,122	\$11,331	\$4,209
Family	\$19,967	\$31,527	\$11,560

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Article 22

- Personnel administration
 - Personnel Appeal Board
 - Probationary extension
 - Reemployment lists

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Article 22 – Personnel Admin.

- 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

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Article 22 – Personnel Admin.

- 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

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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 only if Board finds that an action had been arbitrary, capricious, or contrary to rule or law

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Article 22 – Personnel Admin.

- 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*

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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*

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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*

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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*

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Article 22 – Personnel Admin.

- 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*

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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

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Article 23 – Corrections

- 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

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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

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Article 23 – Corrections

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

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Article 25 – State Police Pensions

- 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

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Article 25 – State Police Pensions

- 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

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Article 25 – State Police Pensions

- In 2011, DPS named 1 of 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 millions)				
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 25

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Article 25 – State Police Pensions

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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Article 25 – State Police Pensions

- 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

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Article 25 – State Police Pensions

	Total	FY 2016 - FY 2091 (in millions)
	Pay-Go Costs	\$473.6
Trust Fund	General Revenues	\$301.4
	Google Funds	15.0
	Total Trust Fund	\$316.4
	General Revenue Savings	\$(172.2)

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