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

<table>
<thead>
<tr>
<th>Proposals</th>
<th>Union</th>
<th>Non-Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probationary period</td>
<td>CBA/GL</td>
<td>GL</td>
</tr>
<tr>
<td>Longevity</td>
<td>CBA/GL</td>
<td>GL</td>
</tr>
<tr>
<td>Health benefits</td>
<td>CBA/GL</td>
<td>GL</td>
</tr>
<tr>
<td>Layoff and reemployment preferences</td>
<td>CBA/GL</td>
<td>GL</td>
</tr>
<tr>
<td>Promotional restoration</td>
<td>CBA/GL</td>
<td>GL</td>
</tr>
</tbody>
</table>

- CBA = collective bargaining agreement
- GL = general law

---

## 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
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

Classified

- 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

Unclassified

- Positions covered under Board of Education
- Incl. senior administrative staff and faculty

Divisions of State Service
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

Article 22

- Classification Issues
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

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 Gov.</th>
<th>Classified Employees</th>
<th>Total Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPC</td>
<td>14.0</td>
<td></td>
<td>30.0</td>
</tr>
<tr>
<td>URI</td>
<td>794.8</td>
<td></td>
<td>2,456.5</td>
</tr>
<tr>
<td>RIC</td>
<td>270.6</td>
<td></td>
<td>923.6</td>
</tr>
<tr>
<td>CCRI</td>
<td>235.6</td>
<td></td>
<td>854.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,315.0</strong></td>
<td></td>
<td><strong>4,264.2</strong></td>
</tr>
</tbody>
</table>
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.

- 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.
Article 22

- **Salaries**
  - Longevity
  - Directors’ salaries

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
Longevity Increases - % of Salary

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Education Board</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>-</td>
<td>5.0%</td>
</tr>
<tr>
<td>11</td>
<td>5.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>15</td>
<td>-</td>
<td>15.0%</td>
</tr>
<tr>
<td>20</td>
<td>10.0%</td>
<td>17.5%</td>
</tr>
<tr>
<td>25</td>
<td>-</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

- 2011 Assembly froze longevity increases for all employees, effect 7/1/11 or upon expiration of contracts
- Ed. Board at $ and all other at %

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
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 – 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
Article 22

- Health Benefits

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
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 actual cost 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.

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
**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)

**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

<table>
<thead>
<tr>
<th>Annual Cost to Retiree</th>
<th>Retirement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$7,122</td>
</tr>
<tr>
<td>Family</td>
<td>$19,967</td>
</tr>
</tbody>
</table>

- Personnel administration
  - Personnel Appeal Board
  - Probationary extension
  - Reemployment lists
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 only if Board finds that an action had been arbitrary, capricious, or contrary to rule or law

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
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

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 placed on list
  - If approved, they receive notifications when positions become vacant
    - Consideration, not guaranteed employment
- Article eliminates list
- Amendment = applicable to non-union

Article 22 – Personnel Admin.

- Preferred Reemployment list - layoffs
  - Classified employees with permanent status (completed probation) get laid off
    - Names go 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 only
- Budget includes savings of $0.5 million in FY 2016
- RIBCO currently negotiating contract
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

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
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.

### Article 25 – State Police Pensions

<table>
<thead>
<tr>
<th>Entity</th>
<th>Total Received</th>
<th>Used for Pensions*</th>
<th>Used for Other</th>
<th>Remaining Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$60.0</td>
<td>-</td>
<td>$8.5</td>
<td>$51.5</td>
</tr>
<tr>
<td>Attorney General</td>
<td>$60.0</td>
<td>-</td>
<td>$8.5</td>
<td>$51.5</td>
</tr>
<tr>
<td>State Police</td>
<td>45.0</td>
<td>15.0*</td>
<td>11.7</td>
<td>18.3</td>
</tr>
<tr>
<td>RI National Guard</td>
<td>5.0</td>
<td>-</td>
<td>0.2</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total State</strong></td>
<td><strong>$110.0</strong></td>
<td><strong>$15.0</strong></td>
<td><strong>$20.4</strong></td>
<td><strong>$74.6</strong></td>
</tr>
<tr>
<td>City of East Providence</td>
<td>60.0</td>
<td>49.2</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>North Providence</td>
<td>60.0</td>
<td>20.6</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$230.0</strong></td>
<td><strong>$84.8</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*proposed in Article 25
### Article 25 – State Police Pensions

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay-Go Cost</th>
<th>General Revenue</th>
<th>Google Funds</th>
<th>Total Trust Fund</th>
<th>General Revenue Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$17.9</td>
<td>$16.7</td>
<td>$15.0</td>
<td>$31.7</td>
<td>$(1.1)</td>
</tr>
<tr>
<td>2017</td>
<td>17.6</td>
<td>16.7</td>
<td>-</td>
<td>16.7</td>
<td>(0.9)</td>
</tr>
<tr>
<td>2018</td>
<td>17.4</td>
<td>16.7</td>
<td>-</td>
<td>16.7</td>
<td>(0.7)</td>
</tr>
<tr>
<td>2019</td>
<td>17.1</td>
<td>16.7</td>
<td>-</td>
<td>16.7</td>
<td>(0.4)</td>
</tr>
<tr>
<td>2020</td>
<td>16.9</td>
<td>16.7</td>
<td>-</td>
<td>16.7</td>
<td>(0.1)</td>
</tr>
<tr>
<td>2021</td>
<td>16.6</td>
<td>16.7</td>
<td>-</td>
<td>16.7</td>
<td>0.1</td>
</tr>
<tr>
<td>2022</td>
<td>16.4</td>
<td>16.7</td>
<td>-</td>
<td>16.7</td>
<td>0.3</td>
</tr>
<tr>
<td>2023</td>
<td>16.1</td>
<td>16.7</td>
<td>-</td>
<td>16.7</td>
<td>0.6</td>
</tr>
</tbody>
</table>

- **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
Article 25 – State Police Pensions

<table>
<thead>
<tr>
<th>Total</th>
<th>FY 2016 - FY 2091 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay-Go Costs</td>
<td>$473.6</td>
</tr>
<tr>
<td>General Revenues</td>
<td>$301.4</td>
</tr>
<tr>
<td>Google Funds</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total Trust Fund</strong></td>
<td><strong>$316.4</strong></td>
</tr>
<tr>
<td>General Revenue</td>
<td>$(172.2)</td>
</tr>
<tr>
<td>Savings</td>
<td></td>
</tr>
</tbody>
</table>

Governor’s FY 2016 Budget: Articles

Staff Presentation to the House Finance Committee
April 16, 2015