Department of Planning and Budget
2019 Fiscal Impact Statement

1. **Bill Number:** HB2055-E

   House of Origin ☐ Introduced   ☐ Substitute   ☒ Engrossed

   Second House ☐ In Committee   ☐ Substitute   ☐ Enrolled

2. **Patron:** Carr

3. **Committee:** Finance

4. **Title:** Department of Human Resource Management; review of employee recruitment, retention.

5. **Summary:** Requires the Director of the Department of Human Resource Management to perform an annual review of recruitment and retention trends and certain statuses related to classified job roles across state agencies. The bill also provides for the Director to biennially, on or before September 1 of each odd-numbered year, submit a report to the Governor and the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance on (i) the classified job roles that should receive higher salary increases based on identified recruitment and retention challenges, (ii) the appropriate amount by which the salary of such job roles should be increased, and (iii) cost estimates for funding any salary increases.

   The bill, as engrossed, clarifies that the required analysis shall be conducted for job roles that are classified and changes the biennial reporting requirement to each odd-numbered year.

6. **Budget Amendment Necessary**: Yes – Item 81.

7. **Fiscal Impact Estimates:** See Item 8.

   7a. Expenditure Impact:

Fiscal Year	Dollars	Positions	Fund
2019	-	-	-
2020	$250,000	-	General Fund
2021	$200,000	-	General Fund
2022	$200,000	-	General Fund
2023	$200,000	-	General Fund
2024	$200,000	-	General Fund
2025	$200,000	-	General Fund

8. **Fiscal Implications:** The Department of Human Resource Management (DHRM) submits an annual report of the discrepancies between salaries of classified state employees and employees in the private sector, as required in § 2.2-1202, Code of Virginia. DHRM collects and analyzes data on market trends, and compares a subset of state government occupations

and professions to commercial salary data in order to draw conclusions regarding overall salary discrepancies.

The proposed legislation requires a comprehensive annual review of recruitment and retention trends in the classified workforce; review of the total compensation of classified employees (comparable to the Joint Legislative and Audit Review Commission studies); and biennial review including recommendations for salary actions by role and budget impact analysis. There are currently over 200 job roles that represent approximately 1,500 occupations. These requirements exceed current total compensation and workforce-related study mandates or initiatives and cannot be absorbed by DHRM's existing staff.

In order to fulfill the bill's requirements DHRM would acquire the assistance of a compensation consultant to establish a methodology and conduct the initial compensation review beginning in fiscal year 2020, at an estimated cost of $250,000, and subsequently conduct the annual reviews on an ongoing basis at an estimated annual cost of $200,000. According to DHRM, this estimate is based on the costs incurred by the Joint Legislative Audit and Review Commission (JLARC) for consultants used to conduct prior state compensation studies and assumes DHRM would provide analysis similar to that previously provided by JLARC to fulfill the bill's requirements. The consultant would be expected to do the following:

Recruitment and Retention Trends
- Review Commonwealth data to analyze for trends over designated period,
- Research, compile, and analyze benchmark data to generate comparison, and
- Generate recommendations on best practice approaches and policy, program or process improvements that will make the Commonwealth more competitive and more efficient.

Market Pricing (Total Compensation Comparison)
- Review Commonwealth data to assist in the identification of which jobs should be benchmarked for market pricing and expand the number of jobs matched in existing DHRM reports, and
- Compile and analyze market data for the jobs identified for comparison, including a mix of base and non-base compensation, as well as, traditional benefits offered or required.

As engrossed, the bill requires the biennial reporting of recommended job roles that should receive salary increases based on identified recruitment and retention challenges and estimated costs by September 1 of each odd-numbered year. This makes the first such biennial reporting component due September 1, 2019. Due to the limited time between the effective date of the bill and the September reporting deadline, DHRM does not expect to be able to make full salary change recommendations across all classified roles in the initial report due September 1, 2019. By such time, DHRM anticipates it would still be in the process of working with the consultants selected to build a process to make salary assessments and recommendations. Therefore, DHRM expects to be able to report on its progress and preliminary findings in the initial report, but would not be able to make

comprehensive salary change recommendations across all classified job roles until the next biennial report.

9. **Specific Agency or Political Subdivisions Affected:** Department of Human Resource Management

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** None.