

**Department of Legislative Services**  
Maryland General Assembly  
2010 Session

**FISCAL AND POLICY NOTE**

House Bill 655  
Appropriations

(Delegate Impallaria, *et al.*)

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**State Government - Furloughs and Temporary Salary Reductions**

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This proposed constitutional amendment requires the Governor to convene a special session of the General Assembly in any year in which (1) the State budget is greater than the budget for the preceding fiscal year; (2) there is a projected budget deficit for the remainder of the fiscal year; and (3) the Governor reduces State expenditures by instituting a furlough or temporary salary reduction for Executive Branch employees. During the special session, the legislature must reduce State appropriations by the amount of excess expenditures over the prior year's budget, and reduce compensation of members of the General Assembly in proportion to the furlough or temporary salary reduction instituted by the Governor. Any reductions in compensation for members of the General Assembly terminate at the end of the fiscal year.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** If approved by the General Assembly, this constitutional amendment will be submitted to the voters at the 2010 general election. It should not result in additional costs for the local boards of elections.

**Small Business Effect:** None.

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## Analysis

### **Current Law:**

#### *General Assembly Compensation*

A constitutional amendment, approved by the voters in 1970, created a nine-member General Assembly Compensation Commission and specified that the commission submit salary and allowance recommendations to the legislature every four years. Members of the General Assembly and State and local government officers and employees are not eligible for appointment to the commission.

Through a joint resolution, the General Assembly may reduce or reject, but may not increase, any item in the resolution. The commission's resolution, with any reductions concurred in by joint resolution of the General Assembly, has the force of law and takes effect at the beginning of the next General Assembly. It may not be changed until it is superseded by a subsequent resolution at the end of the next legislative term (every four years).

#### *Balanced Budget*

Under the Constitution, the Governor must submit a budget to the General Assembly on the third Wednesday in January. The budget must be balanced when submitted, so proposed appropriations must be supported by estimated revenues. Following enactment of the budget by the General Assembly, the Governor is authorized to reduce an appropriation by up to 25% with the approval of the Board of Public Works. During fiscal 1991 through 1993, the Governor used this authority to reduce appropriations six times to allow the State to address projected budget shortfalls. The authority was also used to make reductions to the fiscal 2002, 2003, 2004, 2008, 2009, and 2010 budgets to address shortfalls in revenue projections.

#### *Special Sessions*

The Maryland Constitution requires the Governor to issue a proclamation convening a special session of the legislature when a majority of the members of each house joins in a petition for a special session. Other provisions allow the Governor to call a special session of the legislature or the Senate only. A special session is limited to 30 days and may consider any topic or purpose with which the General Assembly may be concerned at a regular session. Since 1970, the General Assembly has met in 14 special sessions, the latest lasting 21 days in November 2007.

**Background:** Exhibit 1 shows that the State budget has grown each year since 2000; however, the Governor's proposed fiscal 2011 budget reduces total spending by about \$300 million over fiscal 2010 levels. If the constitutional amendment passes and the General Assembly enacts a fiscal 2011 budget that reduces spending over fiscal 2010 levels, as proposed by the Governor, the constitutional amendment does not apply during fiscal 2011.

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**Exhibit 1**  
**State Budget by Fund Type**  
**Fiscal 2000-2011**  
**(\$ in Thousands)**

<u>Fiscal Year</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Total</u>
2000	\$9,031,525	\$3,379,474	\$3,779,703	\$1,119,139	\$556,390	\$17,866,231
2001	10,237,508	3,623,283	4,344,231	1,232,503	627,282	20,064,807
2002	10,572,271	3,940,988	4,837,742	1,347,988	744,405	21,443,394
2003	10,364,249	4,478,626	5,373,635	1,454,403	783,232	22,454,145
2004	10,261,480	4,098,386	5,845,467	1,561,775	780,094	22,547,202
2005	11,275,179	4,284,628	5,878,195	1,739,860	867,216	24,045,078
2006	12,356,373	4,839,731	6,206,512	1,876,867	894,719	26,174,202
2007	14,204,425	5,318,436	6,363,460	1,947,055	923,092	28,756,468
2008	14,488,221	5,428,287	6,561,343	2,057,471	988,222	29,523,544
2009	14,352,946	5,511,473	7,758,888	2,190,562	1,056,649	30,870,518
2010	13,441,008	5,663,151	9,793,827	2,266,812	1,156,429	32,321,227
2011 (proposed)	13,176,455	5,970,915	9,331,490	2,351,234	1,189,508	32,019,602

Source: Department of Legislative Services

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As part of cost containment measures, the Governor ordered Executive Branch employees to take mandatory furloughs and/or temporary salary reductions in both fiscal 2009 and 2010. Executive Order 01.01.2008.20, dated December 16, 2008, required all State employees, except certain exempt Executive Branch employees and employees in the Legislative and Judicial branches, to forego the equivalent of two full days of compensation prior to the end of fiscal 2009. Depending on their annual compensation, employees were also subject to two or three furlough days, for a

maximum total of five days of reduced compensation. Based on a 250-day work year, the total salary reduction was 0.8% of annual compensation. Executive Order 01.01.2009.11, dated August 25, 2009, instituted a combined furlough/salary reduction plan for Executive Branch employees for fiscal 2010. Affected employees were subject to a minimum salary reduction equivalent to three days of pay, and a maximum combined furlough/salary reduction equivalent to 10 days of pay, which varied according to annual compensation. Based on a 250-day work year, the average furlough/salary reduction was 2.6% of annual compensation. The Governor has indicated plans for another furlough/salary reduction plan in the proposed fiscal 2011 budget, but has not released details about how it will be structured.

As noted above, the last special session of the General Assembly lasted 21 days. It cost an average of \$22,600 per day, primarily for expense reimbursements for members of the General Assembly.

In the legislative term beginning in 2011, annual compensation for members of the General Assembly is expected to be \$43,500 for all members except the two presiding officers, who are expected to earn \$56,500. This yields total compensation of \$8.2 million. *For illustrative purposes only*, a one-year salary reduction of 2% for all members of the General Assembly reduces general fund expenditures by \$164,080. If the salary reduction occurs after the beginning of a fiscal year, the potential savings are reduced proportionately. If convened under this constitutional amendment, the cost of a special session lasting more than seven days offsets all of the savings from a 2% salary reduction for members of the General Assembly. Based on recent history, the General Assembly would be charged with reducing the budget by about 6%, which would likely take more than seven days.

**Local Fiscal Effect:** The Maryland Constitution requires that proposed amendments to the constitution be publicized either: (1) in at least two newspapers in each county, if available, and in at least three newspapers in Baltimore City once a week for four weeks immediately preceding the general election; or (2) by order of the Governor in a manner provided by law. State law requires local boards of elections to publicize proposed amendments to the constitution either in newspapers or on specimen ballots; local boards of elections are responsible for the costs associated with these requirements. It is anticipated that the budgets of local boards of elections will contain funding for notifying qualified voters about proposed constitutional amendments for the 2010 general election in newspapers or on specimen ballots.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management, Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2010  
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