

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 381
Appropriations

(Delegate Impallaria, *et al.*)

State Government - Furloughs and Temporary Salary Reductions

This proposed constitutional amendment requires the Governor to convene a special session of the General Assembly in any fiscal year in which (1) the 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.

Fiscal Summary

State Effect: None.

Local Effect: If approved by the General Assembly, this proposed constitutional amendment will be submitted to the voters at the 2012 general election. It should not result in additional costs for the local boards of elections.

Small Business Effect: None.

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 It may not be changed until it is superseded by a subsequent resolution at the end of the next legislative term (every four years).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 increased each year since 2000.

Exhibit 1
State Budget by Fund Type
Fiscal 2000-2012
(\$ 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	13,442,303	5,388,007	9,824,990	2,227,694	1,150,082	32,033,076
2011**	13,228,581	6,026,244	10,308,768	2,347,525	1,211,528	33,122,646
2012 (proposed)	14,636,049	6,469,488	9,382,010	2,403,360	1,255,400	34,146,307

*Reflects higher education funds.

**Fiscal 2011 is the working appropriation reflecting deficiencies, targeted reversions, and general reversions.

Source: Department of Legislative Services

As part of cost containment measures, the Governor ordered Executive Branch employees to take mandatory furloughs and/or temporary salary reductions in fiscal 2009, 2010, and 2011. 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. Executive Order 01.01.2010.11, dated May 21, 2010, reinstated the fiscal 2010 furlough and temporary salary reduction plan for fiscal 2011. The Governor's proposed fiscal 2012 budget does not include employee furloughs or temporary salary reductions.

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 \$43,500 for all members except the two presiding officers, who earn \$56,500. This yields total compensation of \$8.2 million. Under the Governor's fiscal 2010 and 2011 furlough and temporary salary reduction plans, General Assembly members would lose eight days worth of pay and the presiding officers would lose nine days (due to their higher compensation). *For illustrative purposes only*, the Department of Legislative Services notes that, if members were subject to the fiscal 2010 and 2011 furlough and temporary salary reduction rules, general fund expenditures for General Assembly compensation would be reduced by \$182,635. If convened under this constitutional amendment, the cost of a special session lasting more than eight days offsets all of the savings from the furloughs and salary reductions. Based on recent history, the General Assembly would be charged with reducing the budget by about 6%, which would likely take more than eight 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 2012 general election in newspapers or on specimen ballots.

Additional Information

Prior Introductions: HB 655 of 2010 received an unfavorable report from the House Appropriations Committee.

Cross File: None.

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

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