

F10A02
Personnel
Department of Budget and Management

Executive Summary

The Department of Budget and Management (DBM) Office of Personnel Services and Benefits (OPSB) exercises oversight over Executive Branch employees within the State Personnel Management System (SPMS). OPSB administers personnel policies as well as the health benefits program.

Operating Budget Data

(\$ in Thousands)

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$8,157	\$11,342	\$194,711	\$183,369	1616.7%
Adjustments	0	35,300	256	-35,044	
Adjusted General Fund	\$8,157	\$46,642	\$194,967	\$148,325	318.0%
Special Fund	0	188	34,808	34,620	18461.6%
Adjustments	0	7,795	0	-7,795	
Adjusted Special Fund	\$0	\$7,983	\$34,808	\$26,825	336.0%
Federal Fund	0	224	16,319	16,095	7193.4%
Adjustments	0	4,142	0	-4,142	
Adjusted Federal Fund	\$0	\$4,366	\$16,319	\$11,953	273.8%
Reimbursable Fund	8,844	14,361	16,810	2,449	17.1%
Adjusted Reimbursable Fund	\$8,844	\$14,361	\$16,810	\$2,449	17.1%
Adjusted Grand Total	\$17,001	\$73,352	\$262,903	\$189,552	258.4%

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

Note: Numbers may not sum to total due to rounding.

For further information contact: Laura M. Vykol

Phone: (410) 946-5530

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- **Statewide Program:** The fiscal 2019 budget includes deficiencies amounting to \$47.2 million (\$35.3 million in general funds) for a \$500 bonus and a 0.5% general salary increase to State employees effective April 1, 2019. Funding is also provided to address a fiscal 2018 deficit in the Injured Workers' Insurance Fund (\$1.0 million). The fiscal 2020 allowance includes \$229.4 million (\$178.3 million in general funds) to annualize the 0.5% increase from fiscal 2019; provide a 3% general salary increase effective July 1, 2019, for most State employees; provide a 5% increase and employee increments to members of the State Law Enforcement Officers Labor Alliance and Maryland Transportation Authority Police unions effective July 1, 2019; and provide targeted salary enhancements for positions identified through the annual salary review process.
- **State Employee Student Loan Debt Repayment Benefit:** The fiscal 2020 budget includes \$8 million in general funds for a State employee student loan debt repayment benefit. This program was announced through Executive Order 01.01.2018.17.
- **OPSB:** The fiscal 2020 budget for OPSB increases by \$2.7 million, or 12.1%, over the fiscal 2019 working appropriation, mostly in reimbursable funding. The increase primarily reflects funding for the Statewide Personnel System (SPS) (\$926,000) and communication and legal costs associated with changes to Medicare-eligible State retirees' prescription drug coverage (\$878,000).

Personnel Data

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>
Regular Positions	137.20	138.20	137.20	-1.00
Contractual FTEs	<u>7.73</u>	<u>0.00</u>	<u>2.00</u>	<u>2.00</u>
Total Personnel	144.93	138.20	139.20	1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.04	1.51%
Positions and Percentage Vacant as of 12/31/18	7.80	5.64%

- The personnel complement for OPSB decreases by 1 position in fiscal 2020 due to a technical correction. According to DBM, the executive communications coordinator position has worked under the Executive Direction program of the DBM Secretary budget since fiscal 2015, but the position was never formally transferred out of OPSB until now.
- OPSB gains 2 contractual full-time equivalents in fiscal 2020 in the Division of Employee Benefits to assist with increased workloads related to State employees' and retirees' health benefits and SPS.

Key Observations

- Transition of Medicare-eligible State Retirees to Part D Delayed Pending Lawsuit:** Chapter 10 of 2018, the Budget Reconciliation and Financing Act, included a provision to accelerate the transition of Medicare-eligible State retirees to Medicare’s Part D prescription drug coverage. The acceleration was intended to align the planned transition to correspond to the revised elimination date of the Part D coverage gap. However, the transition has been delayed pending the outcome of a lawsuit filed in September 2018. Alternatives to the planned transition have been proposed in order to address concerns of retirees. This issue reviews the potential impact on the State’s annual operating budget as well as the Other Post Employment Benefit’s long-term liability of these alternatives.
- Hiring, Recruitment, and Retention Issues Persist:** As of January 1, 2019, the State was carrying 5,700 vacancies in the Executive Branch, the highest vacancy rate in the past decade (11.6%). While the fiscal 2020 budget implements multiple strategies to improve recruitment and retention, the State continues to struggle in other areas, particularly as it relates to younger workers. The Department of Legislative Services (DLS) asks DBM to discuss legislation submitted during the 2019 session intended to address barriers to hiring inherent in the State’s current processes and to discuss the feasibility of employee surveys to receive feedback from the State workforce.
- State Workers’ Compensation Liabilities Grow:** The State is self-insured for workers’ compensation claims. Funding to address the State’s liability associated with these claims has not been provided since fiscal 2003. As of fiscal 2018, the unfunded liability has grown to \$445.3 million. While prefunding the liability is recommended, the State could also address liabilities on the front end by increasing funding to pursue settlements. Given the substantial cost savings often generated by settling claims, DLS asks DBM to comment on the feasibility of increasing budgeted settlement funding in the future.

Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add language restricting funds until the department submits closeout information on the Employee and Retiree Health Insurance Account.		
2. Adopt committee narrative requesting the department to submit quarterly reports on prescription drug plan performance.		
3. Adopt committee narrative requesting the department to submit quarterly medical and dental plan performance reports.		
4. Abolish 1.8 long-term vacancies.	\$ 100,362	1.8

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		<u>Funds</u>	<u>Positions</u>
5.	Delete general funds erroneously budgeted for park services annual salary review.	336,240	
6.	Delete funding for State employee student loan benefit. Defer funds to fiscal 2021.	8,000,000	
7.	Delete overbudgeted funding for higher education 0.5% salary increase in fiscal 2019.	2,095,142	
8.	Add a section requiring monthly reporting on the State's workers' compensation account held by the Chesapeake Employers Insurance Company.		
9.	Add a section for the annual "Rule of 100" limit on position creation.		
10.	Add a section for annual language requiring a report on State positions.		
11.	Add a section for annual language restricting the movement of employees into abolished positions.		
12.	Add a section for annual language requiring reporting of employee and retiree health insurance receipts and spending.		
Total Reductions to Fiscal 2019 Deficiency Appropriation		\$ 2,095,142	
Total Reductions to Allowance		\$ 8,436,602	1.8

Updates

- The State reached an agreement with most collective bargaining units for fiscal 2020. The State did not reach an agreement with the largest employee union, the American Federation of State, County, and Municipal Employees.
- As of October 1, 2018, paid parental leave is now offered to State employees within SPMS of the Executive Branch. Other State agencies and branches external to SPMS are responsible for setting their own parental leave policies.
- The Benefits Administration System, part of the SPS upgrade project, is live as of January 2019. Calendar 2020 enrollment will be the first enrollment year to use the new system.

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Operating Budget Analysis

Program Description

The Department of Budget and Management (DBM) Office of Personnel Services and Benefits (OPSB) provides policy direction for the human resources system established by the State Personnel and Pensions Article through its oversight of the State Personnel Management System (SPMS). All positions in the Executive Branch of State government are in SPMS, except for employees of higher education institutions and the Maryland Department of Transportation. Positions in the Legislative and Judicial branches of State government are also outside of SPMS. OPSB administers State personnel policies and health benefits through the following programs:

- ***Executive Direction:*** The executive director acts as the State's chief negotiator in collective bargaining with State employee labor unions. The program includes the Employee and Labor Relations Division and Employee Assistance Program. In fiscal 2020, the cost of the Statewide Personnel System (SPS) is budgeted in this program.
- ***Division of Employee Benefits:*** The division administers the State's health insurance program. Costs for administration are included in this budget, while costs for health benefits are funded separately in the Employee and Retiree Health Insurance Account.
- ***Division of Personnel Services:*** The division provides guidance on personnel matters and processes payroll for all SPMS employees while also acting as the human resources office for DBM and 19 other State agencies.
- ***Division of Classification and Salary:*** The division maintains the State's position classification plan and develops the State's salary and wage program.
- ***Division of Recruitment and Examination:*** The division maintains the State's online recruitment tool (JobAps) and administers a ranking system to assist hiring managers.

There are two programs provided in the DBM OPSB budget for funding to be applied statewide:

- ***Statewide Program:*** Funding provided for actions that impact all or multiple State agencies is provided in this program and is usually distributed to applicable State agencies by budget amendment, such as salary increases.
- ***SmartWork:*** This is a new program that provides funding to offer State employees who work in specified shortage areas the opportunity to receive repayment of student loans for themselves or a child. This program was announced through Executive Order 01.01.2018.17.

Performance Analysis: Managing for Results**1. Wellness Program Performance Measures**

In an effort to address escalating medical and prescription drug costs, the State implemented a wellness program in calendar 2015. In calendar 2018, members can earn waived copays for primary care physician (PCP) visits if members complete a Health Risk Assessment and designate a PCP and receive \$5 off specialist copays by completing age or gender-specific preventative screenings.¹ In calendar 2017, 31,105 individuals met the PCP copay waiver requirements, which is a substantial decrease from calendar 2016 with 59,727 individuals. Wellness incentives cost the State \$1.1 million in calendar 2017.

The 2018 *Joint Chairmen's Report* (JCR) requested that DBM provide wellness performance measures with the department's Managing for Results (MFR) submission. **Exhibit 1** shows wellness measures provided with the fiscal 2020 budget.

Exhibit 1
Wellness Program Measures
Calendar 2014-2017

<u>Screening</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>National Average</u>
Mammogram	48.9%	53.2%	50.5%	51.8%	70.2%
Colonoscopy	31.5%	34.6%	35.8%	40.4%	58.3%
Physical Exam	37.5%	50.9%	39.5%	42.0%	n/a
Nephropathy	65.5%	71.8%	68.9%	68.2%	88.1%
2+A1C Tests*	44.4%	60.8%	61.1%	60.8%	89.3%
Blood Glucose	45.7%	86.2%	65.0%	81.6%	n/a

* An A1C test measures the percentage of hemoglobin coated with sugar. It is a test for members with diabetes.

Source: Fiscal 2020 Managing for Results; Department of Budget and Management

Implementation of the program in calendar 2015 corresponds with an increase in participation for all wellness screenings. However, calendar 2016 shows a decrease in participation (excluding colonoscopies and 2+A1C diabetes tests) in comparison to 2015, likely due to requirements being

¹ Kaiser Integrated Health Model, Medicare-eligible retirees, and State Law Enforcement Officers Labor Alliance members do not participate in the wellness program.

waived for members who completed 2015 wellness activities. Wellness screenings increase in calendar 2017, when members were once again required to complete activities in order to receive incentives. In comparison to calendar 2014 (the year prior to initiation of the wellness program), compliance with wellness screenings has increased in every category. However, in comparison to the first year of the program (calendar 2015), compliance with wellness screenings has generally decreased (excluding colonoscopies). Despite some improvement, the plan's performance falls short of the national average on many of the measures.

One of the goals of the wellness program is to mitigate the cost of chronic conditions of State employees and retirees. **Exhibit 2** provides these costs from calendar 2013 to 2017 and how they compare to total plan costs. The total cost of chronic conditions continues to increase but at a rate lower than overall plan costs. However, it should be noted that this trend began prior to the start of the wellness program.

Exhibit 2
State Cost of Chronic Conditions
Calendar 2013-2017
(\$ in Millions)

<u>Condition</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Diabetes	\$96.0	\$104.5	\$118.4	\$127.9	\$135.2
Hypertension	138.1	141.5	157.4	153.7	154.3
Hyperlipidemia	73.3	69.3	66.2	62.1	60.9
Heart Disease	130.5	140.3	136.4	133.7	142.1
Asthma/COPD	42.5	43.2	43.7	46.8	53.4
Total Cost of Chronic Conditions	\$480.4	\$498.8	\$522.1	\$524.2	\$545.9
% of Total Plan Costs	50.1%	48.5%	48.1%	46.6%	46.5%
Plan Costs	\$958.5	\$1,027.9	\$1,085.9	\$1,124.6	\$1,175.1
<i>Growth of Chronic Conditions</i>		3.8%	4.7%	0.4%	4.1%
<i>Growth of Plan Costs</i>		7.2%	5.6%	3.6%	4.5%

COPD: chronic obstructive pulmonary disease

Note: Numbers include both medical and prescription claims associated with the above conditions. State Law Enforcement Officers Labor Alliance and Medicare participants are excluded.

Source: Segal Advisors

When comparing members who completed wellness activities every year to members who did not, Segal Advisors found that the risk score for those who completed activities was 2% lower than

those who did not. However, prescription drug costs for those who completed wellness activities tended to rise due to more members managing conditions. Additionally, when comparing risk scores for emergency room (ER) visits and inpatient admissions, members who completed wellness activities reflected lower risks than members who did not, reflecting a gap of 27.2 percentage points for ER visits and 24.9 percentage points for inpatient admissions between the two groups.

2. Sexual Harassment Complaints in State Agencies

The statewide Equal Employment Opportunity (EEO) office is housed within DBM. EEO is responsible for handling sexual harassment complaints in State agencies. **Exhibit 3** shows the number of sexual harassment complaints from fiscal 2009 to 2018. There were 60 sexual harassment complaints reported in State agencies in fiscal 2018, a decrease of 1 complaint from fiscal 2017. The Department of Public Safety and Correctional Services (DPSCS) had the highest number of complaints in fiscal 2018 but showed a decrease from a three-year high.

Exhibit 3
Sexual Harassment Complaints in State Agencies
Fiscal 2009-2018

<u>Agency/Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety and Correctional Services	19	20	15	13	24	18	24	24	24	19
Health	8	5	-	10	7	3	2	6	7	11
Human Services	-	-	-	-	-	-	-	1	7	8
Morgan State University	-	2	-	-	5	-	6	-	1	4
State Police	2	2	2	1	2	3	2	1	2	2
Transportation	6	8	6	11	6	12	6	8	15	9
Juvenile Services	2	2	-	4	3	1	1	1	1	1
Other	5	11	6	8	9	6	5	8	4	6
Total	42	50	29	47	56	43	46	49	61	60

Source: Equal Employment Opportunity Office

According to the EEO office's fiscal 2018 annual report, EEO staff worked in collaboration with the Maryland Commission on Civil Rights (MCCR) to coordinate and implement sexual harassment prevention workshops and sexual harassment prevention training sessions in response to Chapter 791 of 2018. Training covers applicable laws, prevention, employer liability, case examples, and best practices to prevent and respond to sexual harassment cases, as outlined in the legislation. The legislation requires every employee to receive a cumulative two hours of training within six months of

initial appointment and every two-year period thereafter. Since the effective date of the legislation, October 1, 2018, MCCR and the EEO office have coordinated to provide training to representatives at seven Executive Branch agencies and five institutions of higher education. State agency representatives are required to take a three-hour workshop, then a two-day workshop with the intention that these representatives will be responsible for providing the required sexual harassment training within their agencies.

Fiscal 2019 Actions

Proposed Deficiency

The fiscal 2019 budget includes deficiencies for the statewide program amounting to \$47.2 million (\$35.3 million in general funds) for the following:

- \$500 bonus to State employees effective April 1, 2019; and
- 0.5% general salary increase effective April 1, 2019.

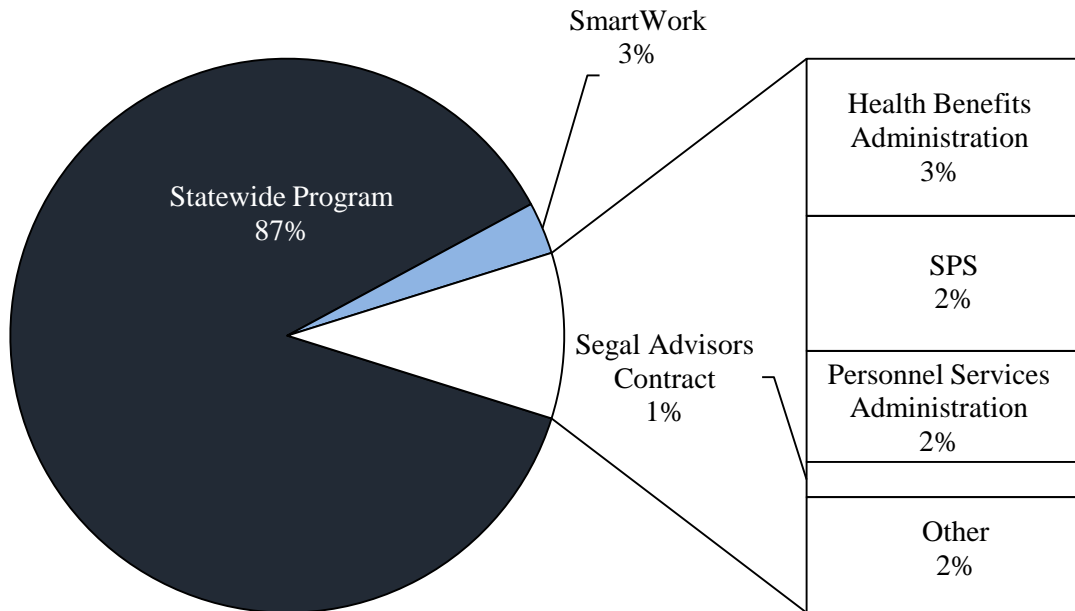
There is also \$1.0 million in general funds provided to address a fiscal 2018 deficit in the Injured Workers' Insurance Fund (IWIF).

Fiscal 2020 Allowance

Overview of Agency Spending

Exhibit 4 provides an overview of the fiscal 2020 allowance for OPSB. Funding in the statewide program makes up 87% of the fiscal 2020 budget for the agency with \$229.4 million (\$178.3 million in general funds).

Exhibit 4
Office of Personnel Services and Benefits
Fiscal 2020 Allowance



Fiscal 2020 Allowance = \$262.9 million

SPS: Statewide Personnel System

Source: Governor's Fiscal 2020 Budget Books

Statewide Program

Funding in the fiscal 2020 allowance for the statewide program is provided for the following:

- annualized costs of the 0.5% general salary increase provided in fiscal 2019;
- 3% general salary increase effective July 1, 2019, for most State employees;
- 5% general salary increase and employee increments for members of the State Law Enforcement Officers Labor Alliance (SLEOLA) and Maryland Transportation Authority (MDTA) police union, effective July 1, 2019; and
- targeted salary enhancements for positions identified through the annual salary review process.

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Employees will receive another 1% general salary increase on January 1, 2020, if actual fiscal 2019 general fund revenues exceed December 2018 estimates by \$75 million. These funds have not been budgeted and would require the Administration to process a deficiency appropriation if this scenario occurs.

OPSB

Funding for OPSB represents 10% of the fiscal 2020 budget. The Division of Employee Benefits, responsible for administration of the health benefits program, represents the highest portion of the budget with \$8.7 million, including the cost of the Segal Advisors contract for health data analysis. The cost of SPS, budgeted in Executive Direction in fiscal 2020, amounts to \$6.2 million, and costs related to the Division of Personnel Services amount to \$5 million.

Proposed Budget Change

As shown in **Exhibit 5**, the fiscal 2020 allowance totals \$262.9 million, which is an increase of \$189.6 million over the fiscal 2019 working appropriation. Most of the increase is attributable to funding provided in the statewide program and for the new SmartWork program. OPSB operations increase by \$2.7 million, or 12.0%, in comparison to fiscal 2019.

Exhibit 5
Proposed Budget
Department of Budget and Management – Personnel
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2018 Actual	\$8,157	\$0	\$0	\$8,844	\$17,001
Fiscal 2019 Working Appropriation	46,642	7,983	4,366	14,361	73,352
Fiscal 2020 Allowance	<u>194,967</u>	<u>34,808</u>	<u>16,319</u>	<u>16,810</u>	<u>262,903</u>
Fiscal 2019-2020 Amount Change	\$148,325	\$26,825	\$11,953	\$2,449	\$189,552
Fiscal 2019-2020 Percent Change	318.0%	336.0%	273.8%	17.1%	258.4%

Where It Goes:

Personnel Expenses

Regular earnings, including general salary increases	\$494
Employee and retiree health insurance	160
Employee retirement.....	141
One-time \$500 bonus in fiscal 2019.....	-45
Transferred position to Executive Direction under DBM Secretary	-109
Other fringe benefit adjustments	31

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Where It Goes:

Statewide Expenses

3% general salary increase effective July 1, 2019, for most State employees.....	160,452
5% general salary increase and employee increments for SLEOLA and MDTA police....	21,372
Salary enhancements approved through the annual salary review process	20,593
Annualization of 0.5% general salary increase effective April 1, 2019	15,817
State employee student loan repayment benefit	8,000
Planned fund reversions/cancellations for statewide salary actions in fiscal 2019	-3,380
One-time \$500 bonus effective April 1, 2019	-37,016

Office of Personnel Services and Benefits

Statewide Personnel System operations and maintenance costs	926
Communication and legal costs for Medicare-eligible retirees' prescription drug changes	878
Two contractual FTEs to assist with retiree drug and Workday transitions	100
Other	1,138

Total **\$189,552**

DBM: Department of Budget and Management

FTE: full-time equivalent

MDTA: Maryland Transportation Authority

SLEOLA: State Law Enforcement Officers' Labor Alliance

Note: Numbers may not sum to total due to rounding.

New SmartWork Program

Executive Order 01.01.2018.17 announced the Maryland SmartWork Program as a way to improve recruitment and retention of State employees in high-vacancy jobs. The key component of the program is the loan repayment benefit, which offers State employees working in targeted shortage areas (including public safety, psychology, social work, nursing, and information technology) up to \$20,000 in student loan repayment for themselves or a child. State employees must agree to work for the State for 10 years to be eligible for the program and will receive quarterly payouts after service years 1, 3, 5, 7, and 10. The benefit only applies to service after January 1, 2019, but is open to both new and existing employees in those shortage positions.

Given the high student debt with which many young workers enter the workforce, tuition reimbursement could be an attractive recruitment and retention tool. By offering the benefit to children of State employees, this further expands the number of workers who may benefit from such a program. Tuition reimbursement is not a new recruitment/retention tool utilized by the State. State agencies have offered employees tuition reimbursement on an *ad hoc* basis, usually dependent on flexibility in the budget and type of education being pursued. For instance, employees represented by the Maryland

Professional Employees Council union are eligible for \$500 tuition reimbursement for job-related classes as bargained by the union.

The fiscal 2020 allowance provides \$8 million in general funds for the first year of the program. The Department of Legislative Services (DLS) is concerned that, since eligibility for the funding is tied to years of service, this program makes a significant multi-year commitment of funding and will be viewed by employees as an entitlement. DBM is requesting \$8 million for half a year of costs in fiscal 2020. The costs can be expected to grow as the program matures and additional employees elect to participate. Without legislation to codify this program, funding promised to employees may not be available in years of budgetary constraint. Additionally, the structure of the program still has a lot of unanswered questions regarding payments that would merit further exploration. **Therefore, DLS recommends that program funding be deferred until fiscal 2021, at which time the Administration should have developed the program's logistics, assessed the tax implications, and would have a more precise estimate of annual program need based on the number of employees who participate in the first year. The Administration should submit legislation at the 2020 session to codify the program, which would provide program and funding certainty to employees who agree to work for the State for at least 10 years.**

Annual Salary Review

DBM adjusts salaries of specific classifications through the annual salary review (ASR) process. **Exhibit 6** provides the position classifications that will be adjusted by ASRs in fiscal 2020. One-grade increases are provided to alcohol and drug counselors, mental health professional counselors, park services associates, registered nurses, epidemiologists, and environmental compliance specialists. Two classifications are undergoing more significant salary restructuring: procurement positions and correctional officer positions. Procurement positions are being consolidated under the Department of General Services, and 33 position classifications are being reduced to 9. Correctional officers will receive a 4% increase, in addition to statewide salary enhancements, and the lowest salary levels are being dropped from the salary range. ASR salary enhancements cost \$20.6 million in fiscal 2020 and \$18.7 million in general funds. However, according to DBM, \$336,240 in general funds for park services associates was provided in error. **DLS recommends deleting \$336,240 in general funds provided in error to increase salaries for park services associates.**

Exhibit 6
Annual Salary Review
Fiscal 2020

<u>Position Classification</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
One-Grade Increase				
Alcohol and Drug Counselor	\$164,665		\$30,564	\$195,229
Mental Health Professional Counselor	129,424		4,955	134,379
Park Services Associate	336,240	\$277,091		613,331
Registered Nurse	4,046,769	111,508	426,987	4,585,264
Epidemiologist	61,133		181,861	242,994
Environmental Compliance Specialist	84,523	240,908	104,948	430,379
Salary Restructure				
Procurement	822,162			822,162
Correctional Officer	13,099,660		469,835	13,569,495
Total	\$18,744,576	\$629,507	\$1,219,150	\$20,593,233

Source: Department of Budget and Management

In addition to the ASR process, recruitment and retention bonuses for registered nurses and correctional officers have been provided since January 1, 2015, and October 1, 2017, respectively. Registered nurses employed at 24/7 facilities with fewer than five unscheduled shift call-outs and no more than 32 hours of unscheduled absence during a 12-month period are eligible for a retention bonus of \$3,000. Newly hired correctional officers receive a \$2,000 bonus on entry and \$3,000 after a year on probation. The budget as introduced included additional deficiency funding in fiscal 2019 to cover the cost of these bonuses. According to DBM, bonuses for correctional officers will continue in fiscal 2020, but no funding has been provided for this program. DBM indicates that DPSCS may use savings generated through position abolitions to fund the program. Bonuses for registered nurses will not continue because DBM believes retention will improve with the one-grade increase.

Issues

1. Transition of Medicare-eligible State Retirees to Part D Delayed Pending Lawsuit

The State currently offers retiree prescription drug coverage, which acts as wraparound coverage for retirees with Medicare Part D. In 2011, legislation was enacted that eliminated State prescription drug coverage for Medicare-eligible retirees in fiscal 2020 (July 1, 2019), in order to address the State's high unfunded Other Post Employment Benefits (OPEB) liability. The July 1, 2019 date was chosen to coincide with the scheduled elimination of the Medicare Part D coverage gap with the intention of mitigating the financial impact of the transition on retirees. In February 2018, federal legislative action accelerated the elimination of the Medicare Part D coverage gap to January 1, 2019. In response, the General Assembly accelerated the transition of Medicare-eligible retirees fully onto Medicare Part D coverage to coincide with the revised date. In September 2018, a lawsuit was filed against the planned transition. In October 2018, a restraining order and temporary injunction was granted, delaying the transition of Medicare-eligible retirees until the lawsuit is resolved.

2010 Public Employees' and Retirees' Benefit Sustainability Commission Recommendations and 2011 Legislative Action

In 2004, the Governmental Accounting Standards Board (GASB) issued new accounting standards that required State and municipal governments to recognize OPEB liabilities on their balance sheets as they accrue, rather than on a pay-as-you-go basis. In effect, the new standards required public employers to account for OPEB liabilities in a manner similar to the way pension liabilities are treated. While GASB does not have the authority to enforce these standards, State compliance is considered by bond rating agencies.

In 2010, the Public Employees' and Retirees' Benefit Sustainability Commission, tasked to study and make recommendations with respect to State-funded health care benefits and pensions, identified the State's high unfunded OPEB liability (\$15.9 billion) as an issue that the State should address. The commission expressed concern that failure to reduce the high unfunded OPEB liability could endanger the State's AAA bond rating and result in higher costs to borrow money for State projects and needs. The commission specifically recommended that the State establish a goal of reducing its unfunded liability for OPEB by 50% and commit to fully funding its OPEB liabilities within 10 years.

Medicare-eligible retirees' prescription drug cost was determined to be a primary contributor to the State's OPEB liability. The commission proposed fully transitioning Medicare-eligible retirees onto the Medicare Part D prescription drug program and eliminating State prescription drug coverage to these retirees. The recommendation intended to dramatically reduce the OPEB liability while still ensuring that retirees had access to prescription drug coverage through Medicare. Fiscal 2020 was chosen as the effective date of transition to align with a provision in the 2010 Patient Protection and Affordable Care Act (ACA), which eliminated the Medicare Part D coverage gap by calendar 2020. Aligning the transition with the elimination of the Medicare Part D coverage gap was intended to

mitigate the financial impact on State retirees. Chapter 397 of 2011 (Budget Reconciliation and Financing Act (BRFA)), as introduced and enacted, included the planned transition recommended by the commission. As a result, the State's unfunded OPEB liability decreased from \$15.9 billion to \$9.5 billion.

The State has not met the commission's recommendation regarding payments to prefund the OPEB liability. The State provided payments from fiscal 2007 to 2009 but eliminated payments in fiscal 2010 for budgetary reasons. The State has not provided OPEB liability payments since fiscal 2010. In fiscal 2018, the State's net OPEB liability was \$10.6 billion, representing a funded ratio of 3% (\$329.3 million in assets). If the State started prefunding the OPEB liability on an annual basis, then the liability would decrease to \$6.5 billion. However, this would require the State to pay approximately \$127 million in addition to annual benefit costs.

2018 Legislative Action

On February 9, 2018, H.R. 1892 (Bipartisan Budget Act) was signed into law and included language that accelerated the elimination of the Medicare Part D coverage gap to January 1, 2019 – one year earlier than the 2010 ACA. In response, a provision was included in Chapter 10 of 2018 (BRFA) to amend statute to align the elimination of Medicare-eligible retiree prescription drug benefits with the new date. This had the effect of accelerating the transition by six months in comparison to current statute, which reflected an effective date of July 1, 2019 (fiscal 2020). The acceleration would have allowed the transition to occur during the standard open enrollment period for Medicare Part D (October 15 to December 7). Under the prior elimination date, Medicare-eligible retirees would have had to enroll in Medicare Part D coverage mid-plan-year and prescription drug costs incurred under the State's plan prior to enrollment would not have applied toward the beneficiary's deductible. The acceleration was also projected to result in State savings of \$35 million (\$26 million in general funds) in fiscal 2019.

Chapter 10 also included clarifying language that non-Medicare-eligible spouses, dependents, and surviving spouses and dependents could continue coverage under the State's prescription drug plan. The legislation further required DBM to notify impacted retirees of the upcoming changes by July 1, 2018.

2018 Lawsuit

In September 2018, a lawsuit was filed in the Circuit Court for Baltimore City challenging the planned transition. In October 2018, a federal judge granted a temporary restraining order and preliminary injunction, delaying the transition until the lawsuit is resolved. As a result, there was no change in coverage for Medicare-eligible retirees in calendar 2019. The timeframe for when the lawsuit will be resolved is indeterminate. According to DBM, sufficient funding has been provided in fiscal 2020 to continue to cover costs associated with Medicare-eligible prescription drug claims.

Retiree Fiscal Implications

Medicare Part D is optional outpatient prescription drug coverage subsidized by the U.S. federal government for which beneficiaries pay a monthly premium. Under the standard program, beneficiaries pay 100% of their drug costs until they reach the deductible amount. Once the deductible is met, beneficiaries then pay a percentage of drug cost until the total spent by the beneficiary exceeds the initial coverage limit. At this point, beneficiaries reach a coverage gap where, prior to January 1, 2019, beneficiaries paid the full cost of their medications while they continued to pay premiums until catastrophic coverage is reached. Once a beneficiary reaches catastrophic coverage, copays of 5% of drug costs are usually paid by the beneficiary.

As of January 1, 2019, the Medicare Part D coverage gap has been eliminated due to changes enacted by H.R. 1892. Elimination of the coverage gap means that beneficiaries continue to pay the same percentage of drug costs required under pre-gap coverage until catastrophic coverage is reached, which results in substantially lower out-of-pocket (OOP) costs. **Exhibit 7** compares estimated OOP costs for Medicare Part D beneficiaries in calendar 2019 reflecting pre- and post-coverage gap elimination to demonstrate the financial impact on beneficiaries of eliminating the coverage gap.

Exhibit 7
Medicare Part D Estimated Out-of-pocket Costs
Pre- and Post-Coverage Gap Elimination Comparison
Beneficiary with Catastrophic Prescription Drug Costs
Calendar 2019

	<u>Pre-elimination</u>	<u>Post-elimination</u>	<u>OOP Cost Savings</u>
Annual OOP Costs			
Deductible	\$415	\$415	
Initial Coverage Limit	895	895	
Costs in the Coverage Gap	3,790	1,121	
Total	\$5,100	\$2,431	\$2,669

OOP: out-of-pocket

Source: Medicare; Department of Legislative Services

The State currently offers a generous prescription drug benefit, which acts as wraparound coverage for retirees with Medicare Part D. Under the State plan, retirees pay tiered copays for prescription drugs, in comparison to paying a percentage of drug costs required by Medicare Part D. Additionally, retirees' OOP costs are capped at \$1,500 for an individual and \$2,000 for a household under the State's plan, whereas Medicare Part D coverage does not provide a cap on OOP expenses. As such, retirees with high costs could see significant increases in annual OOP expenditures on prescription drugs. In comparison, retirees with low or no drug costs could actually see a reduction in annual prescription drug costs due to standard Medicare Part D plans' premiums generally being lower than the State. **Exhibit 8** provides projected OOP cost comparisons based on various scenarios of annual prescription drug costs.

Exhibit 8
Projected OOP Cost Comparisons Based on Prescription Drug Scenarios
Calendar 2019

<u>Annual OOP Costs</u>	<u>Annual Prescription Drug Costs</u>			
	<u>\$1,000</u>	<u>\$5,000</u>	<u>\$10,000</u>	<u>\$20,000</u>
Current State Coverage				
OOP Costs	\$74	\$370	\$739	\$1,478
Annual Premium	480	480	480	480
Total	\$554	\$850	\$1,219	\$1,958
Standard Medicare Part D				
OOP Costs	\$569	\$1,620	\$2,527	\$3,027
Annual Premium	396	396	396	396
Total	\$965	\$2,016	\$2,923	\$3,423
Enhanced Medicare Part D				
OOP Costs	\$154	\$1,205	\$2,212	\$2,712
Annual Premium	648	648	648	648
Total	\$802	\$1,853	\$2,860	\$3,360

OOP: out-of-pocket

Note: Projected costs for Medicare use calendar 2019 assumptions. State costs assume calendar 2019 rates and average out-of-pocket claims from fiscal 2018. Enhanced Medicare Part D assumes a \$0 deductible.

Source: Medicare; Department of Budget and Management; Department of Legislative Services

A multitude of Medicare Part D plans are available in Maryland with variations in deductibles and cost sharing as well as costs for specific drugs. Enhanced Medicare Part D plans may offer waived deductibles, extra coverage during the coverage gap, or have broader formularies, typically at a higher premium cost than standard plans.

Low Income Assistance

Low-income retirees may qualify for additional subsidies from the federal government (Medicare Extra Help Low-income Subsidy (LIS) assistance) or the State (Senior Prescription Drug Assistance Program (SPDAP)). **Exhibit 9** provides projected OOP cost comparisons for beneficiaries that qualify for low-income assistance in comparison to costs incurred by beneficiaries under a standard Medicare Part D plan. Low-income retirees may also qualify for these benefits under the State's current plan.

Exhibit 9 Projected OOP Cost Comparisons Standard Medicare Part D, Extra Help LIS, and SPDAP Assistance Calendar 2019

	Annual Prescription Drug Costs			
	<u>\$1,000</u>	<u>\$5,000</u>	<u>\$10,000</u>	<u>\$20,000</u>
Standard Medicare Part D				
OOP Costs	\$569	\$1,620	\$2,527	\$3,027
Premium	396	396	396	396
Total	\$965	\$2,016	\$2,923	\$3,423
Medicare Part D with SPDAP Subsidy				
OOP Costs	\$569	\$1,620	\$2,432	\$3,027
Premium	0	0	0	0
Total	\$569	\$1,620	\$2,432	\$3,027
Medicare Part D with Partial LIS				
OOP Costs	\$324	\$1,377	\$2,346	\$2,846
Premium	99	99	99	99
Total	\$423	\$1,476	\$2,445	\$2,945
Medicare Part D with Full LIS				
OOP Costs	\$263	\$1,316	\$2,221	\$2,221
Premium	0	0	0	0
Total	\$263	\$1,316	\$2,221	\$2,221

LIS: Low-income Subsidy

OOP: out-of-pocket

SPDAP: Senior Prescription Drug Assistance Program

Source: Medicare; Department of Legislative Services

- ***SPDAP Assistance:*** A State retiree would qualify for SPDAP assistance as long as the beneficiary is (1) a Medicare recipient; (2) a resident of Maryland for at least six months; and (3) has income that is at or below 300% of the federal poverty level (\$36,420 for an individual and \$49,380 for a couple in calendar 2019). SPDAP assistance offers a maximum of \$40 per month in premium assistance, which eliminates premium costs entirely for standard Medicare Part D plans on average.
- ***Medicare Part D Extra Help – Partial LIS:*** To qualify for a partial LIS under Medicare Part D's Extra Help program, a beneficiary must have an income at or below \$18,210 for a single person or \$24,690 for a couple. Assets must also be below \$12,600 for a single person, or \$25,150 for a couple. Qualifying beneficiaries are eligible for premium assistance and a reduced deductible.
- ***Medicare Part D Extra Help – Full LIS:*** To qualify for a Full LIS under Medicare Part D's Extra Help program, a beneficiary must have an income at or below \$16,389 for a single person, or \$22,221 for a couple. Qualifying beneficiaries are eligible for waived premium and deductible costs and waived cost sharing once a beneficiary reaches catastrophic coverage.

Estimated Impact on Current Retirees

Based on Medicare-eligible retirees' claims cost in calendar 2017, DBM estimates that OOP costs will increase under Medicare Part D for 36,223 Medicare-eligible retirees, spouses, and dependents, while 8,946 State beneficiaries will actually pay less under Medicare Part D coverage. **Exhibit 10** provides the breakdown of expected OOP increases to Medicare-eligible retirees as a result of the transition to Medicare Part D coverage.

Exhibit 10
Expected OOP Cost Increase to Medicare-eligible Retirees
Calendar 2017 Claims Data

<u>OOP Cost Increase</u>	<u>Participants</u>	<u>% of Retirees</u>
\$0-\$500	26,840	59.4%
\$500-\$1,000	7,116	15.8%
\$1,000-\$1,500	4,005	8.9%
\$1,500-\$2,000	2,163	4.8%
\$2,000-\$5,000	3,525	7.8%
\$5,000-\$10,000	1,253	2.8%
Over \$10,000	267	0.6%
Total	45,169	100.0%

OOP: out-of-pocket

Note: 8,946 beneficiaries are anticipated to pay less under Medicare Part D coverage than under the State's current plan.

Source: Department of Budget and Management

State Fiscal Implications

The planned transition of Medicare-eligible retirees onto Medicare Part D coverage is projected to save the State \$73.2 million (\$41.8 million in general funds) in fiscal 2021 and \$155.8 million (\$89.2 million in general funds) in fiscal 2022. **Exhibit 11** shows the projected annual savings to the State as a result of the planned transition. Funding to continue prescription drug coverage for Medicare-eligible retirees has been assumed through calendar 2020.

Exhibit 11
Cost Savings to the State
Fiscal 2021-2022
(\$ in Millions)

	<u>2021 Savings</u>	<u>2022 Savings</u>
Medicare-eligible Rx Claims	\$146.6	\$310.7
Loss of EGWP Revenue	-52.5	-111.3
Loss of Medicare-eligible Retiree Premiums	-15.6	-33.1
Loss of CMS Direct Payment revenue to General Fund	-5.3	-10.5
State Cost Savings	\$73.2	\$155.8
General Fund Cost Savings	\$41.8	\$89.2

CMS: Centers for Medicare and Medicaid Services

EGWP: Employer Group Waiver Plan

Rx: prescription drug

Source: Department of Budget and Management; Department of Legislative Services

In addition to annual cost savings, the State's OPEB liability is maintained at \$11.0 billion (\$10.7 billion unfunded) if the transition of Medicare-eligible retirees on Medicare Part D occurs as established in statute.

Alternatives

The State could pursue alternatives to transitioning Medicare-eligible retirees fully onto Medicare Part D. However, the annual costs and impact on the OPEB liability must be considered when evaluating options. **Exhibit 12** provides several scenarios, as evaluated by Segal Advisors.

Exhibit 12
Alternatives to Planned Transition of Medicare-eligible Retirees to Medicare Part D
(\$ in Millions)

<u>Alternative</u>	<u>OPEB Liability</u>	<u>Increase</u>	<u>% Increase</u>	<u>Additional CY 2020 Cost</u>	<u>Additional GF Cost</u>
Current Law (Shift to Medicare Part D in Calendar 2020)	\$11,035	\$0	0.0%	\$0	\$0
Restore State Drug Benefit for All Retirees	21,706	10,671	96.7%	146	83
Restore State Drug Benefit for Retirees Hired Prior to July 1, 2011	19,808	8,773	79.5%	146	83
Health Reimbursement Arrangements					
Transition to Medicare Part D with \$1,500 Cap on OOP Costs	15,162	4,127	37.4%	31	19
Transition to Medicare Part D with \$2,000 Cap on OOP Costs	14,809	3,774	34.2%	23	14
Transition to Medicare Part D with Cap on OOP Costs at Catastrophic Level (Approximately \$2,500)	12,613	1,578	14.3%	14	8
\$300 Annual Premium Subsidy	11,322	287	2.6%	14	8

CY: calendar year

GF: general fund

OOP: out-of-pocket

OPEB: Other Post Employment Benefits

Source: Segal Advisors; Department of Legislative Services

Restore State Drug Benefit

The State's current retiree drug program for Medicare-eligible individuals is subsidized by the federal government as an Employer Group Waiver Plan (EGWP). Under EGWP, the State contracts with the Centers for Medicare and Medicaid Services (CMS) through the State's pharmacy benefit manager (PBM) to serve as a Medicare Part D plan sponsor and manage compliance with CMS regulations. There are three substantial subsidies and discounts associated with EGWP that lower the cost of prescription drugs for plan sponsors and members:

- ***CMS Direct Subsidy:*** This is a per member subsidy of approximately \$500 annually based on risk scores calculated by Medicare. The State is projected to receive \$10.5 million in CMS direct subsidies in fiscal 2020. CMS direct subsidy payments are provided to the State's General Fund.
- ***Coverage Gap Discount:*** This provides a discount on brand-name drugs when the member is in the Medicare Part D coverage gap. In calendar 2019, the discount is 50% on brand-name drugs, while in calendar 2020, this discount increases to 70%. DLS estimates \$45 million in revenue from the Coverage Gap Discount in fiscal 2020. This funding is applied to the State's health insurance account.
- ***Catastrophic Reinsurance:*** Medicare provides 80% reinsurance for beneficiaries in catastrophic coverage. DLS estimates \$46.6 million of revenue from Catastrophic Reinsurance in fiscal 2020. This funding is applied to the State's health insurance account.

If prescription drug coverage continued for all State retirees, then the State could continue to receive EGWP subsidies to mitigate the cost of Medicare-eligible prescription drug claims. Costs would also be partially offset by Medicare-eligible retirees' contributions through premium payments. However, despite these offsets, continuation of coverage would result in significant financial impacts. As demonstrated by Exhibit 12, continuation of prescription drug coverage for Medicare-eligible retirees would cost the State \$146 million in calendar 2020 with costs increasing as a result of inflation, utilization, and number of retirees in the out-years. Continuation of EGWP would also result in the doubling of the State's current OPEB liability, which would be a cause for concern among rating agencies and could endanger the State's AAA bond rating. Though the State has higher liabilities associated with pension benefits, the OPEB liability is not only significant but largely unfunded.

Restore State Drug Benefit for Retirees Hired Prior to July 1, 2011

Another option evaluated by Segal Advisors was to only continue coverage for retirees hired prior to July 1, 2011. The July 1, 2011 date reflects a distinction between retirees hired before and after pension reform (Chapter 397). This alternative has a negligible impact on costs in the short term due to the small number of retirees who would be ineligible in calendar 2020 based on this distinction but does have a substantial impact on the long-term OPEB liability (79.5% increase, or \$8.8 billion, in comparison to current law).

Health Reimbursement Arrangements

Health reimbursement arrangements (HRA) are employer-funded accounts that help employees or retirees pay for qualified OOP medical or prescription drug expenses. Unlike a health savings account (HSA), only the employer can put money into HRA. One of the benefits of utilizing an HRA to reimburse retirees for OOP expenses is that the funding provided is tax-free. Also, unlike HSAs, HRAs are eligible for Medicare Part D plans.²

Four options for HRAs are provided in Exhibit 12. All four options assume Medicare-eligible retirees transition to Medicare Part D, but three options assume that the State implements a cap on OOP spending, where the State covers retirees OOP expenses at 100% once a designated threshold is reached, while the fourth option assumes the State provides a flat-dollar amount subsidy.

Caps on OOP Spending

The HRA scenarios provided in Exhibit 12 assume OOP spending caps of \$1,500, \$2,000, and \$2,500 once a retiree reaches catastrophic coverage. These options would act to safeguard retirees with high costs through imposing an OOP spending limit, which standard Medicare Part D coverage does not. The \$1,500 OOP cap attempts to mimic the State's current OOP spending limit (\$1,500 for an individual). The annual cost will be dependent on actual claims realized; however, Segal Advisors anticipates an additional cost of \$31 million in calendar 2020. With respect to OPEB, a \$1,500 cap would increase the liability by \$4.1 billion (37.4%). A \$2,000 OOP cap would increase the liability by \$3.8 billion and increase annual costs by \$23 million. Higher OOP spending caps result in less financial burden on the State but increased financial burden on retirees. Under these scenarios, retirees would be responsible for signing up for Medicare Part D plans as well as for the submission of receipts indicating OOP cost paid.

With a catastrophic HRA, the State would be responsible for any OOP expenses incurred once the retiree reaches Medicare Part D catastrophic coverage, which typically requires a 5% coinsurance on claims. According to Segal Advisors, this option is projected to cost \$14 million in calendar 2020 with an OPEB impact of \$1.6 billion (14.3%); however, actual costs to the State will be dependent on retirees' catastrophic claims.

The State's financial burden is less with a catastrophic HRA in comparison to OOP caps set at lower levels. If the State assumes responsibility for OOP costs prior to a beneficiary reaching catastrophic coverage, it will delay the onset of catastrophic coverage for the retiree, meaning that the retiree share (picked up by the State) of costs will remain at 25% longer (compared to 5% in catastrophic coverage). Retirees' financial burden is higher under a catastrophic HRA versus those with lower caps. Although OOP expenses to qualify for catastrophic coverage will vary based on drug costs and utilization, retirees can generally expect to pay \$2,500 OOP to reach catastrophic coverage. This level of OOP costs could have a significant financial impact on certain retirees, particularly if a Medicare-eligible couple both have catastrophic levels of prescription drug spending, in which OOP costs for the couple could be \$5,000.

² HSAs may only be used alongside qualified high-deductible health insurance plans. The maximum deductible allowed for Medicare Part D plans do not qualify.

\$300 Annual Premium Subsidy

Under this scenario, the State would provide \$300 annually to Medicare-eligible retirees with the intention that retirees would use the subsidy to assist with premium costs. A \$300 subsidy would provide for 75% of the average annual cost of a standard Medicare Part D plan, resulting in a retiree having significantly lower monthly premium payments (\$8.25 per month) than under the State's prescription drug plan (\$40 per month for an individual). Additionally, the provision of the premium subsidy may allow retirees to purchase enhanced Medicare Part D plans, which typically have higher premiums (\$54 per month, on average) but offer greater cost-sharing benefits, such as waived or reduced deductibles. Retirees with enhanced Medicare Part D plans and subsidized premiums could see a substantial reduction in OOP costs, particularly for retirees with low or no prescription drug costs. Retirees would be encouraged to use the subsidy for premium costs instead of OOP expenses, as any application of the funding to coinsurance costs would not count toward the OOP calculation to enter catastrophic coverage. This alternative is projected to cost \$14 million in calendar 2020 but has the lowest impact on the OPEB liability (\$287 million increase, or 2.6%). However, this option does not cap OOP spending for retirees with high costs.

DBM should discuss the Administration's position on the future of the retiree drug benefit.

2. Employee and Retiree Health Insurance Account

The Employee and Retiree Health Insurance Account is shown in **Exhibit 13**. The account closed with a year-end fund balance of \$200.3 million in fiscal 2018, reflecting a decrease of \$76.6 million. After accounting for incurred but not received expenses, the account closed with a balance of \$130.4 million. Expenditures exceeded revenues into the account largely due to two additional payroll holidays in fiscal 2018, reducing contributions for State agencies, employees, and retirees. It is not uncommon for the account to implement payroll holidays after accumulating a high fund balance, thus reducing costs to the State and members.

Exhibit 13
Employee and Retiree Health Insurance Account
Fiscal 2018-2020 Allowance
(\$ in Millions)

	<u>2018 Actual</u>	<u>2019 Working</u>	<u>2020 Allowance</u>
Beginning Balance	\$276.9	\$200.3	\$151.1
Expenditures			
DBM – Personnel Administrative Cost	\$7.9	\$8.0	\$9.2
Payments of Claims			
Medical	\$1,002.7	\$1,038.6	\$1,083.9
Prescription*	453.4	455.5	452.0
Dental	50.6	54.1	55.7
Contractual Employee Claims	10.7	12.9	12.9
Payments to Providers	\$1,517.4	\$1,561.1	\$1,604.5
<i>% Growth in Payments</i>	<i>1.7%</i>	<i>2.9%</i>	<i>2.8%</i>
Receipts			
State Agencies**	\$1,108.0	\$1,172.6	\$1,187.3
Employee Contributions**	175.3	185.0	189.6
Retiree Contributions	86.4	97.0	99.4
EGWP Subsidies	75.0	63.0	71.7
Miscellaneous Revenue	2.9	1.8	1.8
Total Receipts	\$1,447.6	\$1,519.4	\$1,549.8
<i>% Growth in Receipts</i>	<i>-9.1%</i>	<i>5.0%</i>	<i>2.0%</i>
Ending Balance	\$200.3	\$151.1	\$88.9
Estimated Incurred but Not Received	-\$69.9	-\$76.3	-\$76.3
Reserve for Future Provider Payments	\$130.4	\$74.8	\$12.6

DBM: Department of Budget and Management
EGWP: Employer Group Waiver Plan

* Prescription drug costs adjusted to reflect net rebates. Costs and revenue associated with Medicare-eligible retirees are assumed through December 31, 2020.

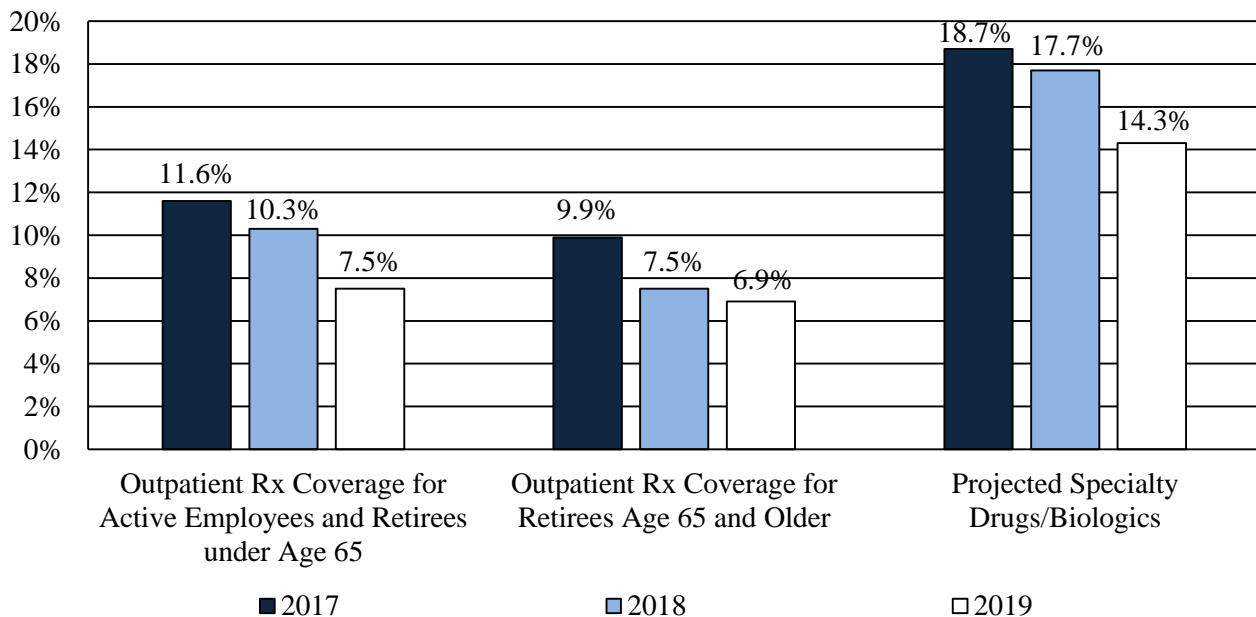
** State agencies and employees contributions include contributions for eligible contractual full-time equivalents.

Source: Department of Budget and Management

Payments to providers are projected to grow by 2.9% in fiscal 2019 and 2.8% in fiscal 2020. Medical costs make up the largest amount of claims costs with 4.4% growth projected in fiscal 2020. This projected growth reflects the average annual rate of medical costs in recent years, but actual medical costs in fiscal 2017 and 2018 grew at less than 3%. **DBM should discuss the factors believed to be favorably influencing medical costs in fiscal 2017 and 2018 and whether these factors are expected to continue. DLS also recommends committee narrative requesting DBM to submit data on medical costs and utilization.**

The second largest health benefit cost is for prescription drug coverage, representing over one-third of claims costs in fiscal 2020. Prescription drug claims grew by 1.6% in fiscal 2018 and are projected to increase by 5.8% in fiscal 2019 and 9.4% in fiscal 2020 in the health insurance forecast; however, including prescription drug rebates, these costs are essentially flat from fiscal 2018 to 2020. The onboarding of a new PBM contract generated cost savings starting in January 2018 through better prices and enhanced rebates. Additional savings are expected in calendar 2019 as a result of a new drug formulary. While savings are being realized, savings are primarily the result of increased rebates rather than mitigated claims costs. In comparison to broad prescription drug trends, as provided in **Exhibit 14**, the State's projected prescription drug cost growth of 9.4% in fiscal 2020 seems high.

Exhibit 14
Projected Drug Trends
Calendar 2017-2019



Rx: prescription drug

Source: 2018 and 2019 Segal Health Plan Cost Trend Survey

When prescription drug costs and rebates are broken out into groups, Medicare costs are projected to grow while non-Medicare retirees' and active employees' drug costs are decreasing, leading to an offset in the overall cost increase. However, despite Medicare retirees' claims growing, EGWP subsidies in fiscal 2019 and 2020 are lower than what was received in fiscal 2018. This projection is particularly surprising given that manufacturer discounts associated with prescription drug costs incurred in the Medicare Part D coverage gap increase from 50% to 70% in calendar 2020, which should lead to higher EGWP subsidies in fiscal 2020. Based on projected Medicare prescription drug cost growth, DLS estimates that EGWP subsidies could be closer to \$79 million in fiscal 2019 and as high as \$90 million in fiscal 2020 (based on the revised manufacturer discounts). This could result in over \$30 million in surplus funding in the health insurance account.

DBM should comment on why projected claims costs are projected to be above broader prescription drug trends in fiscal 2020 and why rebates are projected to increase by 79% over the fiscal 2018 actual. DBM should also comment on why EGWP subsidies are projected so low in fiscal 2019 and 2020 given projected increases in costs and expected changes in subsidy calculations. Additionally, DLS recommends committee narrative to request that DBM submit prescription drug utilization and cost data.

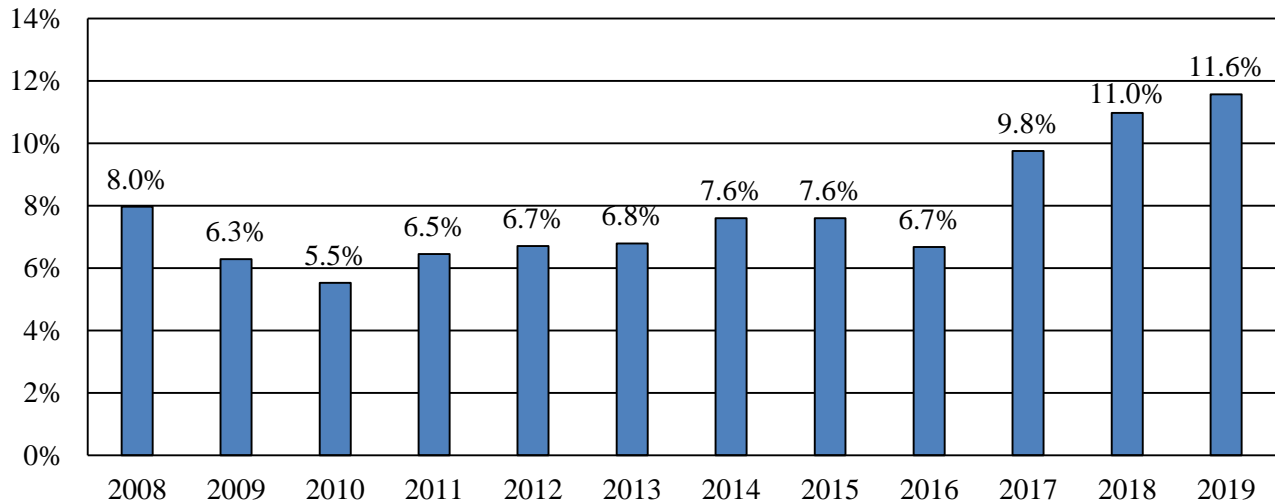
Dental costs, though relatively flat in most years, increase by 6.9% to \$54.1 million in fiscal 2019. DBM states that the increase in cost reflects enrollment trends rather than utilization. More members are opting for the State's Dental Preferred Provider Organization plan in comparison to the State's Dental Health Maintenance Organization plans, which tend to be more costly due to offering services outside of pre-approved networks.

Overall contributions increase by 6.2% in fiscal 2019 in comparison to fiscal 2018, largely due to two additional payroll holidays reducing contributions in fiscal 2018. In fiscal 2020, contributions increase by 1.5%. Premium rates are frozen in calendar 2019, so projected increases reflect increasing enrollment. Increased contributions are not projected to be necessary in the short term due to the account carrying high fund balances.

3. Hiring, Recruitment, and Retention Issues Persist

As of January 1, 2019, the vacancy rate for the Executive Branch was 11.6% with 5,700 vacancies. As shown in **Exhibit 15**, the State is carrying the highest vacancy rate in the past decade.

Exhibit 15
Executive Branch Vacancy Rate
January 2008 to January 2019



Source: Department of Budget and Management; Department of Legislative Services

Vacancies were at the lowest during years of economic recession when fewer job opportunities were available. In calendar 2011, vacancies started increasing, corresponding to improvement in the economy. Executive Branch jobs were added from calendar 2013 to 2015, and vacancies continued to climb. Calendar 2016 shows a decrease in vacancy rates, most likely corresponding to the onboarding of a new Administration as well as a push to abolish vacancies as a cost-saving measure. The Executive Branch vacancy rate reached new highs from calendar 2017 (9.8%) to calendar 2019 (11.6%) despite a continued trend of abolishing long-term vacant positions.

The State, like many other public-sector employers, has struggled to recruit and retain workers. Chronically understaffed agencies exacerbate recruitment and retention issues, as employees who join understaffed agencies are subject to heavy workloads, tasks outside their normal scope of duties, and mandatory overtime in some cases. Workers in these agencies become frustrated, demoralized, and burned out, leading to increased turnover and increased staffing issues. Agencies may struggle to fill positions for a variety of reasons. Certain jobs are less desirable and inherently difficult to fill and, in a job market with plenty of opportunities, historically carry high vacancies. High-budgeted turnover can also result in a self-fulfilling prophecy, in that agencies with high vacancy rates have their personnel budgets reduced to reflect the reality of the agency, thereby limiting options that the agency could pursue to improve recruitment and retention of hard-to-fill positions. The State's hiring process itself has been identified as a potential barrier to employment, which prompted the General Assembly to restrict funding pending receipt of a report from DBM reviewing the hiring barriers in the State and offering recommendations to address them.

Hiring Barriers Report

Pursuant to the 2018 JCR and at the request of the 2017 Spending Affordability Committee (SAC), DBM submitted a report outlining strategies to address barriers to filling vacant positions. The report submitted by DBM reviews barriers associated with hiring practices, turnover expectancy, and compensation, as specifically requested by SAC and the General Assembly.

Hiring Requirements

In regard to hiring requirements, DBM identified the following issues and offered the following recommendations:

- ***Banding Process Disadvantages New Graduates:*** State law requires applicants to be placed in banding categories, which gives responsibility of applicant screening to an unbiased third-party rater. Applicants are ranked according to education and experience in relation to the duties of the position. According to the report, the banding process disadvantages recent graduates applying for entry-level positions given that these graduates often lack work experience.

DBM Recommendation – Expand Alternate Paths to Work Experience: The report recommends creating a structured statewide internship program that would allow a streamlined, noncompetitive hiring process for State interns to be hired into permanent positions for which they qualify, and expanding the use of cadet programs for agencies with public safety or law enforcement officers.

- ***Two-week Posting Requirement:*** Except for positions approved for streamlined selection, State law requires that all merit position job announcements must post for at least two weeks. As a result of the required timeframe, the applicant pool for each vacancy tends to be large, which leads to hiring delays that may discourage highly qualified candidates during the vetting period. Highly qualified candidates may also take employment elsewhere while waiting during the State’s hiring process.

DBM Recommendation – Eliminate the Two-week Posting Requirement: In order to limit the number of applications received for each vacancy, the report recommends eliminating the two-week posting requirement. DBM states that this change would align the State with the federal government, which does not have any posting timeframes.

- ***Preference Point Calculation:*** The statutory banding process requires the calculation and inclusion of preference points, which are additional points any applicant can receive for a number of reasons, including in-state residency, State employment seniority, disability, and veteran status. According to the report, the calculation of preference points is time consuming and can elevate candidates who do not possess attributes desired by hiring managers. The report identifies preference points as contributing to processing delays and dilution of the pool of best qualified candidates.

DBM Recommendation – Eliminate State Employment Preference: According to the report, State employment preference is the most time consuming preference point to determine, and elimination of this preference would accelerate the hiring process. Points awarded for veteran or disabled status are automatically generated by the State’s online job application process, which makes them less time consuming.

- **Online Application Process:** The acceptance of paper applications delays the hiring process. While most applicants use the online application, the State still receives 0.57% of total applications in paper format, which must be processed if postmarked before the job deadline.

DBM Recommendation – Permit Online Only Applications: The report states that most applicants submitting paper applications also have accounts on the online JobAps system, and candidates without Internet access can use a local public library.

- **Hiring Processing Time:** Most of the issues identified in the report identify the length of time it takes to hire a State employee as a hiring barrier. The typical hire time for the State is three to four months.

DBM Recommendation – Expand Streamlined Hiring Process: Currently, the streamlined selection process is limited by statute to hard-to-recruit positions. The report recommends expanding this option to include situations where a rating would be detrimental to reaching entry-level employees or would not benefit the hiring manager. All qualified applicants would be considered equally, and the hiring manager would use the interview process to select an individual instead of banding applicants into categories.

- **State Rebranding:** According to the report, the State lacks a coordinated, cohesive, and strategic message to recruit for State positions and is therefore unable to attract the best candidates under the current model.

DBM Recommendation – Rebrand the State as an Employer of Choice: The report recommends the State markets itself as an employer of choice by focusing on a mission that matters, work that is interesting and diverse, and employment with a strong work/life balance and benefits unmatched in the private sector. The rebranding would be accomplished by centralizing marketing and outreach events and coordinating social media and job postings.

Turnover Expectancy

DBM disagreed with the assessment that budgeted turnover expectancy is excessive and leading to positions remaining unfilled. The Administration believes the high vacancies reflect the inability of agencies to fill positions and that budgeted turnover is set appropriately.

The issue of excessive turnover expectancy was raised in the 2018 DLS *Executive Branch Staffing Adequacy Study*. The study disagrees with DBM’s assessment that State agencies with high vacancies are unable to fill positions. With the exception of DPSCS, many agencies do not have

significant numbers of vacancies above the level of required turnover, suggesting that if budgeted turnover levels were reduced, positions could be filled. The staffing study did acknowledge that certain position classifications have difficulty recruiting and retaining positions, usually due to the attractiveness of the job and the compensation offered by the State.

Compensation

The DBM report concedes that, to stabilize the State workforce and achieve full staffing levels, a more robust wage package would be necessary but contends that an increase of the magnitude necessary to raise State compensation is not achievable due to competing demands for funding. The report also provided an estimate of \$41 million to increase five large position classifications with persistent recruitment and retention issues by one grade, indicating that such an increase would be cost-prohibitive, but stressed that bonuses and the ASR process are appropriate levels to address compensation issues of specific difficult-to-fill positions. The fiscal 2019 and 2020 budgets provide salary increases as well as funding for ASRs (including funding for several large position classifications with persistent vacancies, like correctional officers). The budget makes efforts to address multiple shortage areas as well as State compensation as a whole. Continuing enhancements will be necessary for the State to be competitive.

State Personnel Recruitment Modernization Act of 2019

The Administration has submitted legislation (SB 169 and HB 158 of 2019) to implement several of the recommendations provided in the hiring barrier report as it relates to the hiring process. The legislation seeks to expand the streamlined hiring process by allowing appointing authorities to recruit and select positions more directly. The legislation also seeks to allow appointing authorities to make a selection from a list – instead of reposting a job announcement – if a candidate is not hired and only 20 qualified applications were received. The legislation also eliminates the two-week posting requirement and the State employee preference point for years of service.

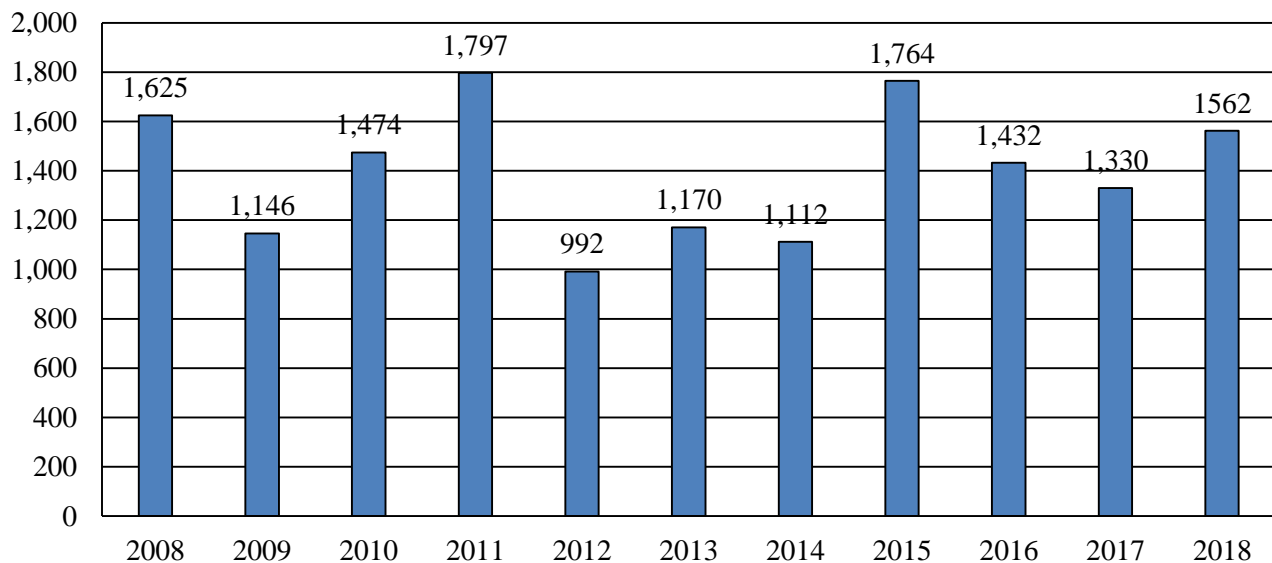
While expanding streamlined hiring, allowing greater flexibility for appointing authorities in the hiring process, and eliminating the two-week posting requirement are all aimed at speeding up the cumbersome State hiring process, there are some potential concerns to consider. The centralization of the State hiring process, as is the case for many public-sector employers, attempts to eliminate nepotism or favoritism as well as encourage the hiring of a diverse workforce. While a two-week posting requirement may be excessive in a fast-paced digital world, the lack of any posting requirement could allow for jobs to be posted for as little as two hours, with the intention of targeting a specific applicant.

DBM should also discuss how the State could address the concerns raised in the report while still maintaining a nonbiased hiring process.

Recruitment and Retention of Young Workers in the Face of Increasing Retirements

Retirement of the Baby Boom generation and what it will mean for government agencies has been a workforce planning item of discussion for many years. While some retirements were delayed in the wake of the Great Recession of 2008, retirements have increased in recent years with the improving economy. As shown on **Exhibit 16**, there were 3,274 retirements from fiscal 2012 to 2014 and 4,526 retirements from fiscal 2015 to 2017 – an increase of 1,252 retirements. In fiscal 2018, 1,562 State employees retired.

Exhibit 16
State Employee Retirements
Fiscal 2008-2018



Note: Chapter 397 of 2011 implemented major pension reforms, most likely contributing to increased retirements in fiscal 2011.

Source: Department of Budget and Management

According to the U.S. Office of Personnel Management, the federal government full-time permanent civilian workforce under the age of 30 was 6% as of September 2017, while employees over the age of 50 made up 45% of the workforce. In comparison, as of fiscal 2018, 8.5% of the State workforce was under the age of 30 and 44.6% were over the age of 50. Recruiting and retaining young workers is a problem among public-sector employers nationwide and an issue identified in DBM's hiring barrier report (specifically identifying the barrier to hiring recent graduates). Without a pipeline of young talent, the government risks falling behind in an increasingly digital world.

Unlike their parents, young workers do not view government jobs as a stable source of long-term employment. Those who work for the government are subject to shutdowns (at the federal level), furloughs, years without salary increases, chronically understaffed agencies, and reduced benefits. Though benefits (particularly for retirement) are more generous than most in the private sector, new government hires are generally subject to longer vesting periods, increased cost sharing, and a reduction in the benefits in comparison to older counterparts.

With increased access to digital information, it is much easier for workers to compare employment opportunities. As a result, young workers are more likely to look for and change jobs than prior generations. According to MFR measures reported by DBM, the retention rate of permanent employees within just one year of State service has decreased from 91% in fiscal 2013 to 87% in fiscal 2018. Resignations have increased, as evident by the record-high vacancies. From fiscal 2015 to 2018, 8,959 employees resigned from State service in comparison to 7,092 from fiscal 2011 to 2014 – an increase of 1,867 resignations.

While the public sector has difficulties recruiting and retaining young workers, older government workers are working longer. In fiscal 2018, 20.2% of the State workforce was eligible to retire but still working in comparison to 12.1% in fiscal 2005. The fact that older workers are staying longer in the workforce delays the loss of invaluable institutional knowledge but also limits upward mobility of younger workers. As a result, younger workers may seek career advancement opportunities in other agencies or in the private sector. Government employment, with strict rules on pay scales and inconsistent merit funding, is not as flexible as the private sector to reward employees for outstanding performance in order to retain them when promotional opportunities are not available.

Rebranding the State as an Employer of Choice

DBM's report on hiring barriers recommends that the State market itself as an employer of choice by focusing on a mission that matters, work that is interesting and diverse, and employment with a strong work/life balance and benefits unmatched in the private sector. According to the report, the rebranding would be accomplished by centralizing marketing and outreach events and coordinating social media and job postings.

There are many articles and reports on how to attract and retain young workers in a competitive market place. While the specific findings of employment offerings that appeal to young workers differ, some general trends emerge. Work/life balance commonly tops the list of job seekers, particularly for workers planning to start families when both parents are in the workforce or taking care of aging parents. According to Forbes, some of the more popular job offerings sought are college savings plans and retirement savings options. This is unsurprising, given the high levels of student debt carried by many young workers and the decline in defined benefit retirement plans.

According to a Gallup survey of 1,700 U.S. workers in 2016 (*How Millennials Want to Work and Live*), the following items topped the chart when asked how important attributes were to them when applying for new jobs (in order of top survey results):

- opportunity to learn and grow;

- quality of manager;
- quality of management;
- interest in type of work; and
- opportunity for advancement.

Overall compensation came in sixth in the Gallup survey; however, income is important, particularly for workers with high levels of student debt. The State generally struggles to be competitive in comparison to the private sector, federal government, and several local governments in regard to compensation. According to a national study conducted by CBIZ Human Capital Services in 2016 for the state of Missouri, Maryland ranked twenty-ninth in average State salary. As shown in **Appendix 3**, State employees have received employee increments once (in fiscal 2017) and general salary increases twice (in fiscal 2019 and 2020) in the past five years.

State Employment Offerings

The State currently offers many benefits that would seemingly appeal to job seekers, including the following:

- a generous employee and retiree health benefit;
- flexible spending accounts and dependent care accounts;
- a defined benefit for retirement;
- supplemental retirement savings plans;
- tuition reimbursement or student loan repayment;
- State daycare facilities;
- paid State holidays, and a generous leave package; and
- telework and flexible work schedules.

Despite all the benefits associated with State employment that would appear to meet some of the top priorities of workers surveyed, the State still struggles to recruit and retain. In the private sector, employee surveys are utilized to gather feedback on the priorities of the workforce. DBM states that a targeted survey of State employees would need to be agreed to by State employee unions. **Given the fact that the State offers so many benefits but still fails to attract and retain employees in certain**

areas, DBM should discuss the feasibility of targeted employee surveys to receive feedback from the workforce, including new hires, existing employees, and exit interviews.

4. Performance Evaluation Process and Management Training Audits

Performance Evaluation Process Audit

The State Personnel and Pensions Article, Title 7, Subtitle 5 requires each agency appointing authority to ensure that two performance evaluations of each State employee in SPMS are completed at six-month intervals. The law requires supervisors to review and discuss the evaluation with each employee, establish measurable tasks to achieve, and identify any areas where training may be needed. DBM is required to provide mandatory training to each agency's supervisors on the performance evaluation process (PEP) and to compile an annual report on PEP for submission to the Governor and General Assembly by January 1 each year. According to the guidelines established by DBM, PEP is intended to facilitate communication between employees and supervisors regarding expectations and job performance. In June 2018, a performance audit conducted by the Office of Legislative Audits (OLA) evaluated the PEP program from fiscal 2012 to 2016.

Annual reports prepared by DBM for fiscal 2012 to 2016 indicated that, on average, 5,600 State employees in the Executive Branch had not received annual performance evaluations during each of those years (ranging from 10% to 16% of the workforce). The audit disclosed that DBM had not established effective strategies to ensure that evaluations were prepared as required by State law. The audit further found that neither DBM nor the State agencies reviewed had processes in place to ensure that employee evaluations met State requirements, and DBM did not have a process in place to determine if PEP was accomplishing its purpose to serve as a communication and employee development tool. According to 119 respondents surveyed anonymously by OLA, 28% of the supervisors and 21% of the employees did not believe PEP was accomplishing the prescribed goals.

Based on OLA's audit results, PEP may not be accomplishing its stated purpose due in part to the lack of effective process to ensure supervisors received mandatory training. OLA concluded that improvements were needed over DBM efforts to ensure that evaluations were given to employees as required and reported accurately on an annual basis. Some of OLA's recommendations to DBM are as follows:

- clearly communicate training expectations to agencies, develop comprehensive strategies to address agency noncompliance, inform agencies of deficiencies, and take corrective action;
- obtain and report employee PEP results for all agencies in the annual personnel report as required by law;
- develop an automated capability to compile evaluation data for preparation of the annual report to eliminate the need for manual records;

- establish procedures to review completed evaluations;
- require agencies to track PEP training of supervisors to ensure that requirements have been met; and
- develop approaches such as employee surveys to evaluate the effectiveness of PEP and DBM training.

Management Training Audit

Similar to the audit on the PEP program, OLA conducted a performance audit on training that DBM offers to management employees of the State agencies under SPMS. State law specifies that DBM is responsible for administering an employee training program and adopting the necessary policies and regulations, which includes responsibility for management training. OLA found that DBM had not established a formal training program for the approximately 3,200 employees in management positions under SPMS. DBM offered certain training to personnel administrators as well as online courses, but OLA found that neither the training nor the courses focused on the core subjects of a comprehensive management training program: leadership; ethics; communication; coaching and motivation; delegation; critical thinking; conflict resolution; and planning.

As stated in the OLA report, investing in people includes providing training programs to employees to assist an organization to achieve its mission and goals, and it is particularly essential to establish training programs for management employees as key players in motivating, teaching, and developing subordinates. Because of the benefits that could accrue to State agencies that are led by properly trained managers, OLA believes that DBM, under its statutory authority, should establish and oversee a statewide management training program, subject to regulations and policies that address and define its responsibilities and those of the affected agencies. OLA believes such a program could be administered either centrally or by individual SPMS agencies.

DBM should discuss action that the agency plans to take to address the findings and recommendations provided in both OLA’s June 2018 and September 2018 performance audit reports on the PEP program and statewide management training, particularly given the importance young workers place on effective management and managers when considering jobs.

5. State Workers’ Compensation Liabilities Grow

The State of Maryland provides workers’ compensation benefits if the harm suffered by an employee was an accidental personal injury or occupational disease arising out of and in the course of covered employment. The State is self-insured for the purposes of providing these benefits. The State’s third-party administrator for workplace injuries is IWIF, a statutorily created entity and affiliate of Chesapeake Employers Insurance Company.

Funding for the State workers' compensation program is budgeted at the discretion of DBM and then allocated to State agencies' budgets based on historical claims. The appropriation is intended to cover IWIF's claims administration costs and projected costs for claims and settlements for that year. The State also previously provided funding to reduce the unfunded liability of worker' compensation claims, but no funding has been provided since fiscal 2003. As a result, the unfunded liability amounts to \$445.3 million in fiscal 2018, as shown on **Exhibit 17**.

Exhibit 17
State Workers' Compensation Claims Unfunded Liability
Fiscal 2015-2018
(\$ in Thousands)

<u>Year</u>	<u>Undiscounted</u>	
	<u>Total</u>	<u>% Change</u>
2015	\$417,861	
2016	426,168	2.0%
2017	439,452	3.1%
2018	445,275	1.3%

Source: Chesapeake Employers Insurance Company; Deloitte Company, LLP

Reducing the State's workers' compensation unfunded liability will require a long-term strategy. The State could take action to address the liability on two fronts:

- prefunding liabilities already in existence; and
- reducing future liabilities through increased settlements and improved worker safety.

Prefunding Liabilities

Prefunding liabilities increases benefit security and, in the long-run, reduces borrowing costs. Prefunding generally allows for a discount rate by actuaries due to increased financial stability, allowing states to reflect a reduced obligation. Prefunding also gets the benefit of investment returns and interest payments to add to fund reserves. Workers' compensation liabilities do not operate under GASB standards and, therefore, do not have an actuarially determined contribution to reduce the long-term liability. However, historically, the State has provided \$20 million annually to prefund workers' compensation liabilities prior to elimination of the funding. No funding is provided in fiscal 2020 to prefund liabilities.

Reduction of Future Liabilities

Settlements

One cost containment strategy for workers' compensation is to eliminate liabilities through settlement. Settled claims generate savings through the avoidance of future liabilities. **Exhibit 18** shows settlement costs from fiscal 2014 to 2020. Funding for settlements fluctuate from year to year and is generally based on funding availability after all operating and ongoing claims' costs have been paid. Settlements tend to increase during better economic times, with more funding provided in the budget, and decrease in times of fiscal constraint. Since settlements are limited by funding availability, IWIF prioritizes settlement opportunities on a claim-by-claim basis and focuses on claims for back, neck, shoulder, or knee injuries.

Exhibit 18
Settlement Costs for State Workers' Compensation Claims
Fiscal 2014-2020 Allowance

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Working</u>	<u>2020</u> <u>Allowance</u>
Settlement Costs	\$4,233,747	\$3,632,685	\$10,523,941	\$6,947,888	\$1,813,349	\$2,000,000	\$2,000,000

Source: Chesapeake Employers Insurance Company

Exhibit 19 shows claims settled and savings generated from settlements for fiscal 2017 and 2018. In fiscal 2017, IWIF saved \$5.6 million, or 44.5%, of projected costs of claims settled. In fiscal 2018, IWIF generated fewer savings – \$3.2 million – than in fiscal 2017 but saved a larger portion of the settled cases – 63.6% of projected costs of claims settled. This indicates that IWIF was able to effectively target the most expensive claims in fiscal 2018 despite reduced funding. Greater cost savings could be generated if IWIF was provided increased funding to pursue settlements.

Exhibit 19
Settled Claims and Cost Savings Generated
Fiscal 2017-2018

	<u>2017</u>	<u>2018</u>
Claims Settled	222	142
Amount Paid for Settlement	\$6,947,888	\$1,813,349
Total Projected Claims Cost	12,514,821	4,981,767
Cost Savings Generated from Settlement	\$5,566,933	\$3,168,418
Percent Cost Saved from Settlement	44.5%	63.6%

Source: Chesapeake Employer's Insurance Company

Given the cost savings generated and elimination of liabilities as a result of settlements, DBM should comment on the possibility of increasing funding for IWIF to pursue settlements in future budgets.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$50,000 of this appropriation may not be expended until the Department of Budget and Management submits a report on the fiscal 2019 closeout of the Employee and Retiree Health Insurance Account. This report shall include the (1) closing fiscal 2019 fund balance; (2) actual provider payments due in the fiscal year broken out by medical payments for active employees, medical payments for non-Medicare-eligible retirees, medical payments for Medicare-eligible retirees, prescription drug payments for active employees, prescription drug payments for non-Medicare-eligible retirees, and prescription drug payments for Medicare-eligible retirees; (3) State employee and retiree contributions, broken out by active employees, non-Medicare-eligible retirees and Medicare-eligible retirees; (4) an accounting of rebates, recoveries, and other costs; (5) any closeout transactions processed after the fiscal year ended; and (6) actual incurred but not received costs. The report shall be submitted to the budget committees by October 1, 2019. The budget committees shall have 45 days to review and comment following the receipt of the report. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

Explanation: This annual budget bill language requires the Department of Budget and Management (DBM) to submit a report with fiscal 2019 closeout data for the Employee and Retiree Health Insurance Account.

Information Request	Author	Due Date
Report on fiscal 2019 closeout data for the Employee and Retiree Health Insurance Account	DBM	October 1, 2019

2. Adopt the following narrative:

Quarterly Prescription Drug Plan Performance: The State entered into a pharmacy benefit manager contract with CVS Caremark effective January 1, 2018. The contract is expected to generate savings through better prices, enhanced rebates, and a new drug formulary. The budget committees request that the Department of Budget and Management (DBM) provide quarterly prescription drug plan performance data to the budget committees in order to monitor the trends of prescription drug utilization and costs. The report should provide information on the highest cost prescription drugs by category of treatment; the prescription drugs accounting for the largest increases in drug spending; the top 25 most costly individual prescription drugs in generic, brand, and specialty drug categories; recent drug patent expirations; and upcoming new drug patent approvals. Additionally, the reports should include data on the cost drivers and drug trends by actives, non-Medicare retirees, and Medicare retirees.

Information Request	Author	Due Date
Quarterly State prescription drug plan performance	DBM	October 15, 2019 January 15, 2020 April 15, 2020 and July 15, 2020

3. Adopt the following narrative:

Quarterly Medical and Dental Plan Performance: In recent years, the State has implemented different strategies to contain medical costs and, as a result, has shown favorable trends in fiscal 2017 and 2018. Medical costs are anticipated to continue growing at a reduced rate in fiscal 2019. The budget committees request that the Department of Budget and Management (DBM) submit quarterly reports on plan performance of the State’s medical and dental plans. Reports should provide utilization and cost data broken out by plans as well as actives, non-Medicare-eligible retirees, and Medicare-eligible retirees. The reports should include utilization per 1,000 plan participants, unit cost and per member costs for hospital inpatient services, hospital outpatient services, professional inpatient services, professional outpatient services, and ancillary services, provided by the State’s health plans.

Information Request	Author	Due Date
Quarterly medical and dental plan performance reports	DBM	October 15, 2019 January 15, 2020 April 15, 2020 and July 15, 2020

		<u>Amount Reduction</u>	<u>Position Reduction</u>
4.	Abolish PINs 049402 and 053195. These positions have been vacant long-term, and the agency claims positions are being held vacant to meet turnover expectancy despite the agency having sufficient vacancies year-round to satisfy projected turnover.	\$ 100,362 GF	1.8
5.	Delete general funds provided for park services positions as part of an annual salary review. The Department of Budget and Management confirms that these funds were provided in error.	336,240 GF	

6. Delete funding for State employee student loan benefit. Defer funds to fiscal 2021. 8,000,000 GF
7. Delete overbudgeted funding for the University System of Maryland’s 0.5% general salary increase in fiscal 2019. 2,095,142 GF
8. Add the following section:

Section XX Chesapeake Employers’ Insurance Company Fund Accounts

SECTION XX. AND BE IT FURTHER ENACTED, That the General Accounting Division of the Comptroller of Maryland shall establish a subsidiary ledger control account to debit all State agency funds budgeted under subobject 0175 (Workers’ Compensation) and to credit all payments disbursed to the Chesapeake Employers Insurance Company (CEIC) via transmittal. The control account shall also record all funds withdrawn from CEIC and returned to the State and subsequently transferred to the General Fund. CEIC shall submit monthly reports to the Department of Legislative Services concerning the status of the account.

Explanation: This section provides continuation of a system to track workers’ compensation payments to the CEIC Fund for payments of claims, current expenses, and funded liability for incurred losses by the State.

Information Request	Author	Due Date
Report on the status of ledger control account	CEIC	Monthly beginning on July 1, 2019

9. Add the following section:

Section XX The “Rule of 100”

SECTION XX. AND BE IT FURTHER ENACTED, That the Board of Public Works (BPW), in exercising its authority to create additional positions pursuant to Section 7-236 of the State Finance and Procurement Article, may authorize during the fiscal year no more than 100 positions in excess of the total number of authorized State positions on July 1, 2019, as determined by the Secretary of Budget and Management. Provided, however, that if the imposition of this ceiling causes undue hardship in any department, agency, board, or commission, additional positions may be created for that affected unit to the extent that an equal number of positions authorized by the General Assembly for the fiscal year are abolished in that unit or in other units of State government. It is further provided that the limit of 100 does not apply to any position that may be created in conformance with specific manpower statutes

that may be enacted by the State or federal government nor to any positions created to implement block grant actions or to implement a program reflecting fundamental changes in federal/State relationships. Notwithstanding anything contained in this section, BPW may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of man that are necessary to protect the health and safety of the people of Maryland.

BPW may authorize the creation of additional positions within the Executive Branch provided that 1.25 contractual full-time equivalents (FTEs) are abolished for each regular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in contractual FTEs for at least two years. Any position created by this method may not be counted within the limitation of 100 under this section.

The numerical limitation on the creation of positions by BPW established in this section may not apply to positions entirely supported by funds from federal or other non-State sources so long as both the appointing authority for the position and the Secretary of Budget and Management certify for each position created under this exception that:

- (1) funds are available from non-State sources for each position established under this exception; and
- (2) any positions created will be abolished in the event that non-State funds are no longer available.

The Secretary of Budget and Management shall certify and report to the General Assembly by June 30, 2020, the status of positions created with non-State funding sources during fiscal 2017 through 2020 under this provision as remaining, authorized, or abolished due to the discontinuation of funds.

Explanation: This annual language, the Rule of 100, limits the number of positions that may be added after the beginning of the fiscal year to 100 and provides exceptions to the limit.

Information Request	Author	Due Date
Certification of the status of positions created with non-State funding sources during fiscal 2017 through 2020	Department of Budget and Management	June 30, 2020

10. Add the following section:

Section XX Annual Report on Authorized Positions

SECTION XX. AND BE IT FURTHER ENACTED, That immediately following the close of fiscal 2019, the Secretary of Budget and Management shall determine the total number of full-time equivalent (FTE) positions that are authorized as of the last day of fiscal 2019 and on the first day of fiscal 2020. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2019 and 2020, including nonbudgetary programs, the Maryland Transportation Authority, the University System of Maryland self-supported activities, and the Maryland Correctional Enterprises.

The Department of Budget and Management shall also prepare a report during fiscal 2020 for the budget committees upon creation of regular FTE positions through Board of Public Works action and upon transfer or abolition of positions. This report shall also be provided as an appendix in the fiscal 2021 Governor’s budget books. It shall note, at the program level:

- (1) where regular FTE positions have been abolished;
- (2) where regular FTE positions have been created;
- (3) from where and to where regular FTE positions have been transferred; and
- (4) where any other adjustments have been made.

Provision of contractual FTE information in the same fashion as reported in the appendices of the fiscal 2020 Governor’s budget books shall also be provided.

Explanation: This annual language provides reporting requirements for regular positions and contractual FTEs.

Information Request	Author	Due Date
Total number of FTEs on June 30 and July 1, 2019	Department of Budget and Management	July 14, 2019
Report on the creation, transfer, or abolition of regular positions	Department of Budget and Management	As needed

11. Add the following section:

Section XX Positions Abolished in the Budget

SECTION XX. AND BE IT FURTHER ENACTED, That no position identification number assigned to a position abolished in this budget may be reassigned to a job or function different from that to which it was assigned when the budget was submitted to the General Assembly. Incumbents in positions abolished may continue State employment in another position.

Explanation: This language prevents employees from being moved into positions abolished in the budget. It also allows that incumbents in abolished positions may continue State employment in another position.

12. Add the following section:

Section XX Annual Report on Health Insurance Receipts and Spending

SECTION XX. AND BE IT FURTHER ENACTED, That the Secretary of Budget and Management shall include as an appendix in the fiscal 2021 Governor's budget books an accounting of the fiscal 2019 actual, fiscal 2020 working appropriation, and fiscal 2021 estimated revenues and expenditures associated with the employees' and retirees' health plan. The data in this report should be consistent with the budget data submitted to the Department of Legislative Services. This accounting shall include:

- (1) any health plan receipts received from State agencies, employees, and retirees, as well as prescription rebates or recoveries, or audit recoveries, and other miscellaneous recoveries;
- (2) any premium, capitated, or claims expenditures paid on behalf of State employees and retirees for any health, mental health, dental, or prescription plan, as well as any administrative costs not covered by these plans; and
- (3) any balance remaining and held in reserve for future provider payments.

Explanation: This language provides an accounting of the health plan revenues received and expenditures made on behalf of State employees and retirees. The language proposes that the language in the report be consistent with the budget data submitted with the budget bill.

Total Reductions to Fiscal 2019 Deficiency	\$ 2,095,142	
Total General Fund Reductions to Allowance	\$ 8,436,602	1.8

Updates

1. Collective Bargaining

As of January 2019, 28,208 State employees (excluding higher education) were covered by collective bargaining, reflecting a decrease of 1,454 members since February 2017. While most Executive Branch employees have collective bargaining rights, management service employees, special appointees, the Governor’s personal staff, and elected officials do not. Certain Maryland Transit Administration employees also have binding arbitration. Excluding higher education, covered employees are divided into 11 bargaining units and their exclusive representatives, as provided in **Exhibit 20**.

DBM represents the State in negotiations with each unit’s bargaining representative, and negotiations can include any matters relating to wages, hours, terms and conditions of employment. The Governor is not required to negotiate on any matter that is inconsistent with State law, but the Governor can negotiate items that require a statutory change or an appropriation as long as the parties understand that the item cannot be effective until the General Assembly takes action. The General Assembly, however, is not bound by that agreement. The collective bargaining statute does not provide for binding arbitration. Instead, the State and bargaining representatives must meet and confer about negotiable terms. If no agreement is reached for the next fiscal year by October 25, a fact finder may be appointed.

After negotiations have concluded, a Memorandum of Understanding (MOU) is prepared that delineates all agreements that the bargaining parties have reached. Upon approval by the Governor and a majority of the employees in the bargaining unit, the terms of the MOU are agreed upon. The MOU may be effective for a period of one to three years. The statute also prohibits certain activities. Employees may not strike nor may the State engage in a lockout. If a strike or lockout occurs or appears imminent, the State or an employee organization may petition the circuit court for relief.

Exhibit 20
State Collective Bargaining Units
January 9, 2019

<u>Unit</u>	<u>Title</u>	<u>Exclusive Representative</u>	<u>Employees</u>	<u>Expiration Dates</u>
A	Labor and Trades	AFSCME	1,693	December 31, 2020
B	Administrative, Technical, and Clerical	AFSCME	4,866	December 31, 2020
C	Regulatory, Inspection, and Licensure	AFSCME	782	December 31, 2020
D	Health and Human Service Nonprofessionals	AFSCME	1,590	December 31, 2020
E	Health Care Professionals	AFT-Healthcare Maryland	1,594	December 31, 2020
F	Social and Human Service Professional	AFSCME	3,423	December 31, 2020
G	Engineering, Scientific, and Administrative Professionals	MPEC	4,527	December 31, 2020
H	Public Safety and Security	AFSCME/Teamsters	7,515	December 31, 2020
H	BWI Airport Professional Fire Fighters	International Airport Professional Firefighters Local 1742 I.A.F.F., AFL-CIO, CLC	69	December 31, 2019
I	Sworn Police Officers	SLEOLA	1,723	June 30, 2022
J	MDTA Sworn Officers	MDTA Police Lodge No. 34	426	June 30, 2022

AFL-CIO: American Federation of Labor and Congress of Industrial Organizations
AFSCME: American Federation of State, County, and Municipal Employees
CLC: Canadian Labor Congress
I.A.F.F: International Airport Fire Fighters
MDTA: Maryland Transportation Authority
MPEC: Maryland Professional Employees Council
SLEOLA: State Law Enforcement Officers' Labor Alliance

Source: Department of Budget and Management; Maryland Department of Transportation

Agreements Reached for Most Bargaining Units

The State reached an agreement with most collective bargaining units for salary increase in fiscal 2020. The Maryland Professional Employees Council (MPEC) and AFT-Healthcare, Maryland agreed to a 3% general salary increase July 1, 2019, with a contingent 1% increase on January 1, 2020, if general fund revenues in fiscal 2019 exceed December 2018 estimates by \$75 million. SLEOLA and MDTA Police Lodge No. 34 agreed to a 5% general salary increase on July 1, 2019, and a similar 1% contingent increase on January 1, 2020. SLEOLA and MDTA Police Lodge No. 34 also negotiated a 5% increase July 1, 2020, and a 4% increase July 1, 2021, as well as employee increments in each year. An agreement was not reached for members of the largest State collective bargaining unit, the American Federation of State, County, and Municipal Employees (AFSCME), but members received the same increases as negotiated by MPEC and AFT-Healthcare, Maryland.

The State also negotiated the SmartWork student loan repayment benefit for targeted shortage areas with employee collective bargaining units, except for AFSCME.

Mark Janus vs. AFSCME Ruling

Janus v. AFSCME Council 31 was a U.S. Supreme Court case concerning the power of labor unions to collect fees from nonunion members. Under the Taft-Hartley Act of 1947, which applies to the private sector, union security agreements can be allowed by state law. On June 2018, the Supreme Court ruled that such union fees in the public sector violated the First Amendment, overturning the 1977 *Abood v. Detroit Board of Education* decision that had previously allowed such fees.

2. Paid Parental Leave for State Employees

Effective October 1, 2018, Chapter 752 of 2018 provides up to 60 days of paid parental leave to an employee in the Executive Branch of State government who is the primary caregiver of a child immediately following the birth or adoption of a child who is younger than age 6. State employees who are jointly responsible for the care of a child may each be eligible up to 60 days of parental leave but not during the same period of time. Leave can be used intermittently, as long as it is used within 6 months of the birth or adoption. To be eligible to use parental leave, an employee must first use annual and personal leave. Since October 1, 2018, 376 State employees have taken advantage of this new benefit.

3. New Benefits System Scheduled to Go Live with Calendar 2020 Enrollment

The benefits administration module of the SPS major information technology project was originally scheduled for implementation in calendar 2015 and instead was delayed pending resolution of performance concerns with the Workday vendor. As of January 1, 2019, the benefits administration module is now open to State employees and retirees to access health benefits. Enrollment for calendar 2020 health benefits, which will take place in fall of 2019, will be the first open enrollment using the new benefits administration system.

Appendix 1
Current and Prior Year Budgets
Department of Budget and Management – Personnel
(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2018					
Legislative Appropriation	\$11,536	\$516	\$6	\$9,005	\$21,063
Deficiency/Withdrawn Appropriation	-37	0	0	0	-37
Cost Containment	-113	0	0	0	-113
Budget Amendments	-3,015	-516	-6	0	-3,537
Reversions and Cancellations	-214	0	0	-161	-375
Actual Expenditures	\$8,157	\$0	\$0	\$8,844	\$17,001
Fiscal 2019					
Legislative Appropriation	\$63,170	\$11,421	\$4,502	\$9,126	\$88,220
Budget Amendments	-51,828	-11,234	-4,279	5,235	-62,106
Working Appropriation	\$11,342	\$188	\$224	\$14,361	\$26,115

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

Fiscal 2018

The fiscal 2018 legislative appropriation for the Department of Budget and Management (DBM) Personnel decreased by \$4.1 million. The statewide program accounted for most of the decline, with a decrease of \$3.5 million (\$2.9 million in general funds). An amendment distributing increments collectively bargained for State Law Enforcement Officers Labor Alliance (SLEOLA) members was the primary decrease in the statewide program (\$3.5 million), partially offset by a general fund deficiency providing \$60,000 to reimburse Maryland Correctional Enterprises and the State Treasurer's Fund for transfers from these funds to the General Fund in prior years.

Removing the statewide program, the fiscal 2018 appropriation decreased by \$600,000, almost entirely in general funds (\$439,000). A Board of Public Works reduction authorized in September 2017 reduced the budget by \$113,000. An across-the-board cut to health insurance per Section 19 of the fiscal 2019 Budget Bill further reduced the budget by \$97,000, and a budget amendment realigning salaries reduced the budget by \$15,000. The department reverted \$214,000 in general funds and canceled \$161,000 in reimbursable funds, primarily as a result of vacant position savings.

Fiscal 2019

The fiscal 2019 legislative appropriation decreases by \$62.1 million (\$51.8 million in general funds). The decrease is primarily in the statewide program, which decreases by \$67.4 million (\$51.9 million in general funds) due to budget amendments distributing funds for the following purposes: (1) \$46.8 million for a 2% general salary increase effective January 1, 2019 (\$38.6 million in general funds); (2) \$15.1 million for collectively bargained increments for SLEOLA members (\$12.2 million in general funds); (3) \$4.4 million to distribute the 2% general salary increase to the Maryland Department of Transportation; and (4) \$1.1 million in general funds to provide increases to various position classifications as part of an annual salary review.

The decrease is partially offset by an increase of \$5.2 million in reimbursable funds for the Statewide Personnel System major information technology project and an increase of \$69,000 in general funds to provide the 2% general salary increase to DBM Personnel staff.

Appendix 2
Major Information Technology Projects
Department of Budget and Management – Personnel
Statewide Personnel System

Project Status	Implementation.			New/Ongoing Project:		Ongoing.		
Project Description:	The project includes modules such as recruiting, human resources, compensation, performance management, employee self-service, benefits administration, and timekeeping. The project has now entered its third phase and is conducting parallel testing for the benefits administration module.							
Project Business Goals:	The purpose of this project is to implement a cloud-based system to replace an antiquated legacy personnel system from 1975, enable automated personnel-related reporting and business analysis, provide centralized data management, reduce administrative redundancies, and provide web-based employee self-service. A successful system will provide faster processing times, increased efficiencies, and robust current and historical reporting.							
Estimated Total Project Cost:	\$80,051,571			Estimated Planning Project Cost:		\$6,026,913		
Project Start Date:	January 2008.			Projected Completion Date:		December 2018.		
Schedule Status:	Parallel testing has been ongoing for the department of the Department of Information Technology (DoIT) for the benefits system, and the system officially went live to all agencies as of January 2019. The first statewide open enrollment using the new benefits system will be performed during fall 2019 for calendar 2020 benefits.							
Cost Status:	Costs increased due to the delay of the benefits administration module and a change in approach, including training and monitoring to reduce transaction errors.							
Scope Status:	No changes in scope are projected.							
Project Management Oversight Status:	Because DoIT is the implementing and oversight agency, the project poses some unique challenges. To address this, project managers have been procured.							
Identifiable Risks:	Risk concerns include user interface (almost all State agencies use the system), the organizational culture (the old system was in place for more than 30 years), and the availability of staff with the skills necessary to manage the system when implemented.							
Additional Comments:	n/a.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Balance to Complete	Total
Professional and Outside Services	\$78,389.1	\$1,662.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$80,051.6
Total Funding	\$78,389.1	\$1,662.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$80,051.6

Appendix 3
Permanent Employee Statewide Salary Actions
Fiscal 2003-2020

<u>Year</u>	<u>Date of General Salary Increase</u>	<u>General Salary Increase</u>	<u>Increments</u>
2003	July 1, 2002	None	None
2004	July 1, 2003	None	None
2005	July 1, 2004	\$752	On Time
2006	July 1, 2005	1.5%	On Time
2007	July 1, 2006	2% with \$900 Floor and \$1,400 Ceiling	On Time
2008	July 1, 2007	2%	On Time
2009 ¹	July 1, 2008	2%	On Time
2010 ²	July 1, 2009	None	None
2011 ²	July 1, 2010	None	None
2012	July 1, 2011	\$750 One-time Bonus	None
2013	January 1, 2013	2%	None
2014	January 1, 2014	3%	April 1, 2014
2015	January 1, 2015	2%	On Time
2016	July 1, 2015	None	None
2017	July 1, 2016	None	On Time
2018	July 1, 2017	None	None
2019 ³	January 1, 2019; April 1, 2019	2.5% and \$500 Bonus	None
2020	July 1, 2019	3%	None

¹ 2- to 5-day furlough.

² 3- to 10-day furlough.

³ 2% general salary increase on January 1, 2019, and 0.5% and \$500 bonus on April 1, 2019.

Note: Does not include increases negotiated by State Law Enforcement Office Labor Alliance members.

Source: Department of Budget and Management

Appendix 4
Object/Fund Difference Report
Department of Budget and Management – Personnel

<u>Object/Fund</u>	<u>FY 18 Actual</u>	<u>FY 19 Working Appropriation</u>	<u>FY 20 Allowance</u>	<u>FY 19 - FY 20 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	137.20	138.20	137.20	-1.00	-0.7%
02 Contractual	7.73	0.00	2.00	2.00	N/A
Total Positions	144.93	138.20	139.20	1.00	0.7%
Objects					
01 Salaries and Wages	\$ 12,053,535	\$ 16,402,658	\$ 242,989,668	\$ 226,587,010	1381.4%
02 Technical and Spec. Fees	186,231	0	101,591	101,591	N/A
03 Communication	792,302	327,760	784,000	456,240	139.2%
04 Travel	2,747	26,550	26,550	0	0%
08 Contractual Services	3,627,871	9,070,459	10,440,799	1,370,340	15.1%
09 Supplies and Materials	65,613	50,000	65,000	15,000	30.0%
10 Equipment – Replacement	79,338	37,000	32,000	-5,000	-13.5%
12 Grants, Subsidies, and Contributions	0	0	8,000,000	8,000,000	N/A
13 Fixed Charges	193,618	200,317	208,155	7,838	3.9%
Total Objects	\$ 17,001,255	\$ 26,114,744	\$ 262,647,763	\$ 236,533,019	905.7%
Funds					
01 General Fund	\$ 8,156,821	\$ 11,342,083	\$ 194,711,201	\$ 183,369,118	1616.7%
03 Special Fund	0	187,526	34,807,906	34,620,380	18461.6%
05 Federal Fund	0	223,745	16,318,584	16,094,839	7193.4%
09 Reimbursable Fund	8,844,434	14,361,390	16,810,072	2,448,682	17.1%
Total Funds	\$ 17,001,255	\$ 26,114,744	\$ 262,647,763	\$ 236,533,019	905.7%

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

Appendix 5
Fiscal Summary
Department of Budget and Management – Personnel

<u>Program/Unit</u>	<u>FY 18 Actual</u>	<u>FY 19 Wrk Approp</u>	<u>FY 20 Allowance</u>	<u>Change</u>	<u>FY 19 - FY 20 % Change</u>
01 Executive Direction	\$ 2,224,398	\$ 1,826,131	\$ 8,100,606	\$ 6,274,475	343.6%
02 Division of Employee Benefits	7,407,461	7,614,199	8,735,287	1,121,088	14.7%
04 Division of Employee Relations	4,252,647	9,847,797	5,035,704	-4,812,093	-48.9%
06 Division of Classification and Salary	1,665,657	2,095,413	1,994,401	-101,012	-4.8%
07 Division of Recruitment and Examination	1,145,868	1,351,710	1,394,992	43,282	3.2%
08 Statewide Expenses	305,224	3,379,494	229,386,773	226,007,279	6687.6%
09 Maryland State Employee Loan Repayment	0	0	8,000,000	8,000,000	0%
Total Expenditures	\$ 17,001,255	\$ 26,114,744	\$ 262,647,763	\$ 236,533,019	905.7%
General Fund	\$ 8,156,821	\$ 11,342,083	\$ 194,711,201	\$ 183,369,118	1616.7%
Special Fund	0	187,526	34,807,906	34,620,380	18461.6%
Federal Fund	0	223,745	16,318,584	16,094,839	7193.4%
Total Appropriations	\$ 8,156,821	\$ 11,753,354	\$ 245,837,691	\$ 234,084,337	1991.6%
Reimbursable Fund	\$ 8,844,434	\$ 14,361,390	\$ 16,810,072	\$ 2,448,682	17.1%
Total Funds	\$ 17,001,255	\$ 26,114,744	\$ 262,647,763	\$ 236,533,019	905.7%

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.