Revised: February 26, 2001

FA.00
Department of Budget and Management

Operating Budget Data

($ in Thousands)

	FY 00 Actual	FY 01 Working	FY 02 Allowance	Change	% Change Prior Year
General Fund	$20,464	$27,770	$31,242	$3,472	12.5%
Special Fund	4,401	4,272	5,160	888	20.8%
Reimbursable Fund	4,217	4,618	4,515	(103)	(2.2%)
Total Funds	**$29,082**	**$36,659**	**$40,916**	**$4,256**	**11.6%**

- There are no fiscal 2001 deficiencies budgeted in fiscal 2002.
- Payments to consultants provide a $1.8 million increase.

Personnel Data

	FY 00 Actual	FY 01 Working	FY 02 Allowance	Change
Regular Positions	314.50	350.80	360.80	10.00
Contractual FTEs	44.75	22.05	17.50	(4.55)
Total Personnel	**359.25**	**372.85**	**378.30**	**5.45**

Vacancy Data: Regular

Budgeted Turnover: FY 02	21.97	6.09%
Positions Vacant as of 12/31/00	44.00	12.54%

- The Department of Budget and Management (DBM) is requesting 11 new positions and abolishing one existing position.
- A number of vacancies, in particular a number that have been vacant over 18 months, were filled or about to be filled at the beginning of calendar 2001.
- The cost of annual salary review adjustments for State agencies is funded in the DBM budget.
- The Department of Budget and Management omitted the cost of pay for performance bonuses from its budget submission.

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

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Analysis in Brief

Issues

Sick Leave Incentive Program: The sick leave incentive program was poorly conceived resulting in a higher net cost than anticipated. DLS recommends that it be re-implemented on a pilot basis.

Managing for Results: Managing for Results performance measures are being used opportunistically, the time horizon for some of these measures and related goals may not be long enough, and the program does not provide statewide goals and measures. DBM should be prepared to discuss these issues at the committee hearings and in a JCR item.

State Labor Relations Board: In order to remove a potential conflict of interest for the Office of the Secretary of DBM, it is recommended that the State Labor Relations Board be established as an independent agency.

Unfavorable Audit Findings in the Office of Personnel Services and Benefits: The Division of Employee Benefits should respond to a number of unfavorable audit findings pertaining to oversight of the health care benefits program and other problems.

Neighborhood Revitalization Spending in Maryland: DLS recommends increased reporting of neighborhood revitalization projects and spending throughout the State.

Inconsistent Policy on Vehicle Use and Purchase in the State: There are three issues examined in this analysis related to the State's vehicle policy. The first is the extremely high average mileage on the Department of Natural Resources' (DNR) auto fleet; the second is the appropriateness of the State's policy on sport utility vehicles; and the last is the appropriateness of the State's commute policy. These issues should be addressed by DNR and DBM in a JCR item.

Statewide Employee Expenses: A summary of the personnel component of the State's budget is provided, which includes fiscal 2000 actual expenses, fiscal 2001 working appropriations, and the fiscal 2002 allowance.

Publication of the Annual Report of the Office of Personnel Services and Benefits: DLS recommends the re-introduction of an annual report similar to that formally published by the Department of Personnel, the details of which will be provided for the decision meeting process.

Recommended Actions

		Funds	Positions
1.	Add budget language which requires reporting of agreements between State agencies and public higher education institutions.		
2.	Add budget language requiring the reporting of collective bargaining costs.		
3.	Amend SECTION 29 to reflect the inclusion of reimbursable funds from the Governor's Office of Crime Control and Prevention.		
4.	Amend SECTION 24 to include specific cost components to the general fund forecast.		
5.	Replace SECTION 23 to reflect the tracking of PAYGO appropriations with 8-digit budget codes.		
6.	Add language reducing funds for the sick leave incentive program and reimplement the program on a pilot basis.		
7.	Add budget language restricting the purchase of any State vehicle until reports addressing concerns are complete and approved by the committees.		
8.	Add section requiring the reporting of Executive Pay Plan changes.		
9.	Adopt narrative requesting a report on DBM's plan for improvements to statewide Managing for Results Plan.		
10.	Add budget language restricting $75,000 for 3 competitive re-engineering projects to this purpose.		
11.	Reduce funding for the Council on Management and Productivity.	$ 50,000	
12.	Reduce funding for Division of Policy Analysis consulting costs.	$ 500,000	
13.	Adopt narrative requesting cost savings in the State's purchase of prescription drug coverage.		
14.	Reduce funding for labor negotiator consultant.	$ 50,000	
15.	Add budget language establishing the State Labor Relations Board as an independent agency.		
16.	Reduce funding for Capital Budget Analysis and Formation consulting costs.	$ 400,000	
17.	Adopt narrative requesting comprehensive reporting of neighborhood revitalization efforts.		

Total Reductions **$ 1,000,000**

Updates

Prescription Drug Costs Continue to Rise Sharply in the State: DLS recommends that DBM be prepared to discuss increases in State prescription costs. It also recommends that DBM revisit the report submitted during the 2000 interim and provide more thorough information.

Standard and Executive Salary Schedule: An explanation of the status of the standard and executive salary schedule is provided.

Absentee Rate Information: The lack of current absentee rate information is noted. An explanation and remedy is requested of DBM.

Status of Personnel Reform: DBM is asked to provide an update on its administrative plans to "streamline" processes addressed through personnel reform.

FA.00
Department of Budget and Management

Operating Budget Analysis

Program Description

The Department of Budget and Management is responsible for coordinating the study and analysis of the needs, administration, organization, functions, economy, efficiency, and performance of State agencies. Since 1997, personnel functions of the former Department of Personnel have been assumed by DBM. The Office of Personnel Services and Benefits (OPSB) provides policy direction for the human resources system established by the State Personnel and Pensions Article. The Executive Director manages OPSB within DBM and administers State personnel policies and health benefit programs. The department is also responsible for preparing and submitting the State budget, including capital items, to the General Assembly; providing ongoing assistance to operating departments for the preparation and execution of the State budget, including Managing for Results (MFR) program requirements; providing both short- and long-range projections of State revenue necessary for the executive fiscal planning and budgetary functions; and analyzing the revenue sources available to the State. The activities of the Central Collections Unit, which attempts to collect certain debts owed to the State, are supported by a percentage of the debts collected.

For purposes of presentation, this analysis reviews the expenditures and activities of the fiscal components of the department, as well as the personnel functions of the department. Appropriations for and an analysis of the Office of the Chief of Information Technology are reviewed in the DBM Information Technology analysis (FA.04).

Governor's Proposed Budget

Increases in the Governor's proposed budget over fiscal 2001 working appropriations are detailed in **Exhibit 1**.

New Positions

The fiscal 2002 allowance includes funding for 11 new full-time equivalent (FTE) positions, at a cost of approximately $379,886, as demonstrated in **Exhibit 2**. The department's plans for fiscal 2002 also include the abolition of the Medical Director position, valued at $89,422, for a total net expenditure for new regular positions of $290,444. All new positions are requested to address workload issues in the respective divisions in DBM; none are contractual conversions. The Division of Policy Analysis has requested an Administrative Specialist III and a Procurement Analyst I, both intended to improve the procurement function, partly in response to an unfavorable audit finding. In the Office of Personnel Services and Benefits, Division of Salary Administration and Classification, an Office Secretary II ($23,294) and a Personnel Administrator IV ($47,474) are requested, both to help address workload issues connected with the division's attempt to rationalize the State classification structure.

Exhibit 1

Governor's Proposed Budget
Department of Budget and Management
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimbursable Fund	Total
2001 Working Appropriation	$27,770	$4,272	$4,618	$36,659
2002 Governor's Allowance	31,242	5,160	4,515	40,916
Amount Change	$3,472	$888	($103)	$4,256
Percent Change	12.5%	20.8%	(2.2%)	11.6%

Where It Goes:	
Personnel Expenses	
New positions -- salaries and benefits	$380
Abolished/transferred positions -- salaries and benefits	(89)
Fiscal 2002 general salary increase -- 4% for half year	336
Increments, fiscal 2001 increase phase-in and other	415
Employee and retiree health insurance rate change	351
Workers compensation premium assessment	34
Turnover adjustments	38
Other fringe benefit adjustments	(32)
Retirement contribution rate change	(144)
Statewide expenses -- Pay for Performance bonuses	(6,296)
Statewide expenses -- annual salary reviews	8,273
Consultants	1,767
Communication	(856)
Other	79
Total	**$4,256**

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

In DBM's Division of Recruitment and Examination, a Personnel Technician II ($26,461), two Personnel Analysts ($73,076), a Personnel Analyst Advanced ($39,001), and a Webmaster ($39,001) are proposed. These five new positions in Recruitment and Examination are intended to address new programmatic needs and the loss of staff experienced in 1996 when personnel reform was implemented. At the time, the decentralization of personnel functions within the State was expected to result in decreased staffing needs. However, the more centralized high-volume position testing function did not decrease and in fact increased for some position classifications. To streamline this process, the agency has purchased 38 new computers for a walk-in Computer Testing Center to be located adjacent to the Recruitment Center at 300 West Preston Street in Baltimore. One Personnel Analyst will function as a Recruitment Specialist and will aid in examination, administration, and scoring at the Recruitment Center. A second Personnel Analyst will become a statewide internship coordinator to help recruit potential candidates just entering the workforce; the position will also help market the State as an employer of first choice. DBM is also finding that many smaller agencies in the State do not have the staff or expertise to effectively plan their workforce needs; it intends to use the Personnel Analyst lead to help those agencies with workforce development. The Webmaster position will assist in the development and maintenance of the Office of Personnel Services web site which is becoming more nearly "full service." Lastly, Recruitment and Examination has requested the Personnel Technician II position to provide paraprofessional support to one of the three teams within the division. The remaining two teams already have assistance.

DBM as a whole is also proposing the abolition of 4.5 FTE contractual employees for the new fiscal year, the overall cost savings of which is $68,251 between fiscal 2001 and 2002.

Other significant personnel changes include the cost of a 4% general salary increase to be implemented on January 1, 2002, the cost of the annualization of the fiscal 2001 general salary increase, the cost of increases in employee and retiree health insurance coverage, and the cost of statewide benefits.

Exhibit 2

Department of Budget and Management
New and Abolished Positions

Position Title	Number of New/ Abolished Positions	Salary	Fringe Benefits	Turnover	Total Costs
Division of Policy Analysis					
Administrative Specialist III	1	$28,196	$9,510	($9,431)	$28,275
Procurement Analyst I	1	36,538	10,522	(11,771)	35,289
Office of Personnel Services and Benefits -- Medical Director					
Physician D	(1)	(80,000)	(15,485)	6,063	(89,422)
Office of Personnel Services and Benefits -- Division of Salary Administration and Classification					
Office Secretary II General	1	23,294	8,915	(8,056)	24,153
Personnel Administrator IV	1	47,474	11,851	(14,838)	44,487
Office of Personnel Services and Benefits -- Division of Recruitment and Examination					
Personnel Technician II	1	26,461	9,300	(8,944)	26,817
Personnel Analyst Budget & Management	1	36,538	10,522	(11,771)	35,289
Personnel Analyst Budget & Management	1	36,538	10,522	(11,771)	35,289
Personnel Analyst Advanced/Lead	1	39,001	10,822	(12,462)	37,361
Webmaster	1	39,001	10,822	(12,462)	37,361
Office of Budget Analysis					
Office Secretary III General	1	24,824	9,100	(8,485)	25,439
Supervisor Budget Examiner	1	54,157	12,662	(16,713)	50,106
Total	**10**	**$312,022**	**$99,063**	**($120,641)**	**$290,444**

Source: Maryland State Budget

Statewide Benefits

FA.00 - Department of Budget and Management

The Office of Personnel Services and Benefits' (OPSB) budget includes funding to support salary enhancements for State employees based on the "annual salary review" (ASR) process. The increased funding for ASRs is offset by the inadvertent omission of funds for statewide pay for performance bonuses.

Reclassifications ($8,272,963)

OPSB has proposed to continue regular salary reviews which began with the Information Technology Stabilization Program initiated in fiscal 1999. The $9.6 million included in the allowance represents a $2.1 million increase over the fiscal 2001 legislative appropriation. OPSB has reviewed the salaries of discrete groups of classifications and compared them with the salaries in the markets within which it competes for employees. In fiscal 2002, OPSB is requesting that funds be used to augment the salaries of two groups of employees: nurses and institutional educators. There is also an agency-specific reclassification for addictions counselors employed through the health department, including those counselors who work in local health departments and nonprofits. In fiscal 2002, OPSB is requesting that the salaries of these reclassified groups be adjusted to bring them up to a level which will accomplish two things -- help them attract the best in each classification category and help them retain employees once they have begun working for the State.

The State has accomplished reclassifications both centrally through DBM and directly through individual agencies. For the nurses and institutional educator positions -- positions that do not fall into a single State agency -- OPSB is budgeting funds through its own budget and transferring it to the pertinent agencies by budget amendment. For positions which fall into single agencies, like the addictions counselors, those agencies develop their own plans for reclassifications, sometimes with the aid the OPSB.

Nurses

The largest portion of statewide reclassification costs -- approximately $9,298,000 -- is going to the nursing classifications. The State is experiencing extremely high vacancy rates in a number of nursing categories, up to 31% in the Registered Nurse category. Vacancy rates for nursing classifications above the prevailing State rate of 8% are shown in **Exhibit 3.**

Exhibit 3

Vacancy Rates in Classification Categories
Over the Prevailing State Vacancy Rate of 8%

	Vacancy Rate
Clinical Nurse Specialists	20%
Community Health Nurses	15%
Licensed Practical Nurse	16%
Nursing Instructors	28%
Registered Nurses	31%
Registered Nurse Supervisors	13%

Source: Department of Budget and Management

This means that of the 343 registered nurse positions available throughout the State, 109 are vacant.

Of the 2,355 positions in the full range of nursing categories, 391 are vacant, for an overall vacancy rate of 16.6%, more than twice that experienced for the State as a whole. One of the causes of these high vacancy rates is the relatively low salaries compared to that paid for nurses working in private hospitals, as demonstrated in **Exhibit 4**.

Exhibit 4

State Nurses Salaries as a Percentage of Salaries Paid in Area Private Hospitals

	Minimum Salary			Midpoint Salary			Maximum Salary		
	State	**Hospitals & LGPA**	**%**	**State**	**Hospitals & LGPA**	**%**	**State**	**Hospitals & LGPA**	**%**
Clinical Nurse Specialist	$38,236	$40,956	93%	$47,699	$59,218	81%	$57,162	$86,279	66%
Licensed Practical Nurse[1]	24,313	24,752	98%	30,206	32,708	92%	36,099	40,664	89%
Registered Nurse[1]	31,456	33,884	93%	39,182	44,170	89%	46,907	54,455	86%
Registered Nurse Supervisor	35,822	39,687	90%	44,667	56,743	79%	53,511	73,799	73%
Community Health Nurse[1]	31,456	35,675	88%	39,182	44,756	88%	46,907	53,837	87%

[1] For comparison purposes, full performance classifications were used.

LGPA=Local Government Personnel Association.

Source: Department of Budget and Management, from the Health Service Cost Review Commission's 2000 Hospital Wage and Salary Survey Report 2 and the Local Government Personnel Association Survey.

DBM is proposing to increase the salaries of nurses throughout the State by adjusting their classification's by two grades -- one on July 1, 2001, and one on January 1, 2002. The complete list of affected nurse classifications can be found in **Appendix 4**, along with the current and proposed grade. These adjustments allow the State to offer salaries which are competitive to those paid in private hospitals, thus allowing it to compete in this very tight labor market and provide the necessary nursing care. The same comparison as provided above with the adjusted State salaries follows, in **Exhibit 5**.

Exhibit 5

State Nurses Salaries as a Percentage of Salaries Paid in Area Private Hospitals With Proposed ASR Increases

	Minimum Salary			Midpoint Salary			Maximum Salary		
	State	Hospitals & LGPA	%	State	Hospitals & LGPA	%	State	Hospitals & LGPA	%
Clinical Nurse Specialist	$43,585	$40,956	106%	$54,419	$59,218	92%	$65,253	$86,279	76%
Licensed Practical Nurse[1]	27,643	24,752	112%	34,390	32,708	105%	41,137	40,664	101%
Registered Nurse[1]	35,822	33,884	106%	44,667	44,170	101%	53,511	54,455	98%
Registered Nurse Supervisor	40,820	39,687	103%	50,946	56,743	90%	61,07	73,799	83%
Community Health Nurse[1]	35,822	35,675	100%	44,667	44,756	100%	53,511	53,837	99%

[1] For comparison purposes, full performance classifications were used.

Source: Department of Budget and Management, from the Health Service Cost Review Commission's 2000 Hospital Wage and Salary Survey Report 2 and the Local Government Personnel Association Survey.

Institutional Educators

DBM is also proposing to increase the salaries of institutional educators by adjusting the Institutional Educator Pay Plan (IEPP), which requires a budget increase of $240,000. DBM is required to annually review the IEPP by comparing it to the salaries paid in the six jurisdictions having the highest number of institutional educators and to propose adjustments necessary to recruit and retain qualified educators. This year's review indicates that an increase of 1% is necessary to match the State funding given to jurisdictions which have increased educator salaries by 4% or more. Those jurisdictions have generally increased entry level salaries. Those that use flat rate add-on amounts for lead and supervisory positions have increased those amounts. A benchmark comparison found that State salaries were competitive in the middle ranges, but the IEPP fell short at entry and maximum levels. The proposed schedules for teachers and librarians address the above mentioned inequities by increasing salaries 1% overall and then adjusting entry and maximum salaries upward. The administrator and supervisor schedule uses a 1% overall upward adjustment and increased add-on amounts (teacher lead will receive a $1,425 add-on and teacher supervisor will receive a $2,850 add-on). A list of affected positions and both salary schedules can be found in **Appendix 5.**

In addition to the components of the annual salary review described above, there have been a number of adjustments made to individual agency classifications by budget amendment during calendar 2000. During that period, there have been reclassifications in the Military Department, Workers' Compensation, Public Safety and Correctional Services, State Police, the Comptroller's Office, and Aging. These have generally been one grade adjustments, but in one case a three-grade adjustment was made (Document

Examiner Expert in the Department of State Police). Detail on these adjustments can be found in **Appendix 6.**

Pay for Performance Bonus Awards (-$6,296,000)

Pay for Performance bonus awards are given to employees who, in their annual performance review, are judged to be performing at the "outstanding" or "exceeds standards" level. Employees on the standard pay plan are reviewed on or around their anniversary date; bonuses are paid soon after.

Based on figures provided by DBM for last year's budget analysis, it was estimated that 23% of employees would receive $1,000 bonuses for outstanding performance and 34% would receive $500 bonuses for exceeds standards performance. Data provided for this year's analysis do not allow an accurate calculation of fiscal 2001 experience to date as information for employees whose performance would not result in a bonus is not necessarily reported to DBM by the agencies. To remedy that situation, DBM is proposing that performance evaluation results be reported in payroll which would save the exchange of additional paperwork.

DBM omitted its portion of the cost of fiscal 2002 bonuses (DBM pays half, agencies absorb the other half) from the allowance. Its intention appears to be to remedy the situation, but it has not yet done that.

Consultants ($1,766,895)

DBM has requested a number of consulting services resulting in additional expenditures for the State. These new expenses are in a number of different divisions for a number of different purposes. Major expenditures and recommendations include:

- **$793,500 in the Division of Policy Analysis:** The majority of the Division of Policy Analysis' request is for $500,000 in funding for the development and implementation of an electronic documents management system that will allow it to more effectively and efficiently manage and access procurement records. Policy Analysis reports that the volume of Information Technology and Telecommunications procurement activity is significantly greater than anticipated when this function was established. The nature of those procurements has also changed -- complicated, large, statewide, multi-vendor procurements are increasing in number and frequency, requiring significantly more planning and coordination, as well as large amounts of staff time to handle both in a timely and accurate fashion. The labor intensive functions associated with these procurements (e.g., certified mailings to all bidders, logging vendor inquiries, responding to a large number of vendor questions) have an impact on the unit's ability to handle all procurements and external agency assignments in a timely manner. The division is requesting funds for this project now in response to an unfavorable audit finding. It arrived at the $500,000 figure based on the cost of other document management systems in the Governor's Office and the Maryland Department of Transportation. **DLS recommends reducing the division's budget by $500,000 and authorizes expenditure of Information Technology Investment funds for this purpose, with the submission of an Information Technology Project Request (ITPR).**

  The Division of Policy Analysis has also requested an additional $270,000 for a number of smaller projects including funds ($170,000) for the Council on Management and Productivity. It intends to conduct functional/organizational assessments with the Western Correctional Institution and possibly the Department of Business and Economic Development; funds ($45,000) are also requested for the development of a community transitional employment operation for exoffenders and for the council's environmental innovation project. Last, the council is requesting $75,000 for three competitive re-engineering pilot projects *to be identified after session*. **DLS recommends budget language requiring that these funds be used only for this purpose, and that the division's budget be reduced by $50,000 in light of a large private donation made to the Council on Productivity.**

- **$455,500 in Capital Budgeting Analysis and Formulation:** The majority of Capital Budgeting's request is $400,000 for computer software programming. With those funds, the division hopes to develop a customized, web-enabled capital budget database system. It wants to replace the current system which requires numerous instances of re-keying data. The end product would be on-line submission of capital budget requests by State agencies, local governments, and non-profit organizations. The ability to produce all management reports and the capital budget volume without keying the data into multiple software programs is also seen as an end product. The current system being used by Capital Budgeting is programmed in Access 97 using a Windows95 operating system and Office97 software, which will not be compatible with the Windows2000/Office2000 environment. **Capital Budgeting's need for new software appears acute; however, the division should provide more information at the budget hearings about how it arrived at the $400,000 figure and how it intends to ensure that the project will not grow beyond $400,000. DLS recommends reducing the division's budget by $400,000 and authorizes expenditure of Information Technology Investment funds for this purpose, with the submission of an Information Technology Project Request (ITPR).**

- **$250,000 in the Medical Director's Office:** DBM has purchased a contract with Concentra which provides more comprehensive, statewide medical services than were provided with the services of a single physician in Baltimore. Those services include Worker's Compensation coverage throughout the State, including the availability of nine clinics for work-related injuries needing immediate care. Concentra also provides second opinion services when Worker's Compensation claims are in question. Services also include pre-employment physicals, psychological evaluation for correctional officer candidates, and "workability" exams. These exams are intended to provide background information to the State when there is a question of whether or not an employee can perform their duties. For example, they will provide a complete review of an employees' medical background and records when there is extreme sick leave usage by that employee.

- **$200,000 in the Division of Labor Relations:** The Division of Labor Relations reduced its permanent staff after fiscal 2000 with the death of its principal negotiator. It has decided to request $200,000 in consulting services for fiscal 2002 for the same function. The use of consultants, during the next round of negotiations, will allow the division to remain more flexible. It will allow the division to hire more than one consultant to work simultaneously with more than one bargaining unit, since the State is bargaining with a number units at the same time. It will also not require the division to carry a permanent employee between rounds of negotiations, the "downtime" functions of which can be covered by existing staff. The division does not intend to hire a consultant until negotiations begin and can not provide detailed justification for this amount. However, the purpose for which the consultant is intended does not require an ongoing commitment by the State. **DLS recommends that the $200,000 requested for this purpose be reduced by $50,000. This brings requested funds**

closer to the salary paid the regular employee who formerly held the position of principal negotiator.

Performance Analysis: Managing for Results

The department's Managing for Results (MFR) submission appears in the Governor's budget books. Ideally, the MFR submission ties the agency's mission, vision, and goals to its operating budget through articulated objectives, strategies, and performance indicators. Practically, the agency has not entirely succeeded in this endeavor. Most striking, perhaps, is the lack of data for measures present in last session's MFR submission. In fact, of the 93 measures listed in the agency's submission, there is baseline data (at least fiscal 2000 actual) data for only 30 of those measures -- less than one third. Most of the measures included this year were also included last year. The agency had time to gather data and should have been able to include more by which the legislature could evaluate its performance.

The submissions of the Office of the Secretary, the Division of Finance and Administration, the Division of Policy Analysis, Executive Direction in the OPSB, the Division of Employee Benefits within OPSB, and the Division of Recruitment and Examination had problems, examples of which are described below. The Central Collections Unit, the Division of Employee Relations, the Division of Salary Administration and Position Classification, Budget Analysis and Formation, and Capital Budget Analysis and Formation all had reasonably solid submissions.

A sample of the measurement indicators divisions are provided in **Exhibit 6.** There are no measures for the Division of Labor Relations (OPSB) and the Labor Relations Board (OPSB). The Medical Director's Office (OPSB) has some measures but very little data. All have very small staffs and have had major disruptions in personnel in the last fiscal year.

Exhibit 6

Program Measurement Data
Department of Budget and Management
Fiscal 1999 through 2002

	Actual 1999	Est. 2000	Actual 2000	Est. 2001	Est. 2002	Ann. Chg. 99-00	Ann. Chg. 00-02
Central Collections Unit							
Net Profit	$284,998	$319,842	$103,687	$318,134	$318,134	-63.6%	75.2%
% of Debt Referrals	50.0%	40.0%	44.0%	40.0%	40.0%	-12.0%	-4.7%
% of Total Dollar Value of Debt Collected	33.7%	33.0%	34.0%	33.0%	33.0%	0.9%	-1.5%
Division of Employee Relations							

	Actual 1999	Est. 2000	Actual 2000	Est. 2001	Est. 2002	Ann. Chg. 99-00	Ann. Chg. 00-02
% of mediated third-step grievances in which settlement is reached	31.0%	n/a	41.0%	45.0%	50.0%	32.3%	10.4%
% of mediated disciplinary cases in which settlement is reached	56.0%	n/a	59.0%	60.0%	62.0%	5.4%	2.5%
% of repeat Leave Bank Users	27.0%	n/a	13.0%	22.0%	22.0%	-51.9%	30.1%
% of transactions for newly appointed employees processed within one pay cycle	85.0%	n/a	85.0%	86.0%	87.0%	0.0%	1.2%
Division of Salary Administration and Position Classification							
% of actions completed within 45 days	n/a	n/a	91.0%	92.0%	93.0%	n/a	1.1%
% of resignations due to salary	4.8%	n/a	5.1%	5.0%	5.0%	6.3%	-1.0%
Budget Analysis and Formation							
% of budget analyses meeting approved criteria	n/a	n/a	88.0%	90.0%	90.0%	n/a	1.1%
Index of approximately 30 outcome-related performance measures	n/a	n/a	100.0	102.0	104.0	n/a	2.0%
Capital Budget Analysis and Formulation							
% of recommended projects consistent with agency facility master plan and strategic plan	n/a	n/a	78.0%	83.0%	90.0%	n/a	7.4%
% of completed capital projects that meet agency needs as stated in the OCB approved facility program	100.0%	n/a	n/a	90.0%	90.0%	n/a	n/a

Source: Department of Budget and Management

Problem Areas

There are a few problems with the measurement indicators themselves -- some have set performance standards too low. Some estimated performance measure data are unrealistic, to the extreme. At least one is measuring two different things, making it difficult to track the source of changed performance. In a number of cases, deadlines for inclusion of data have been moved back. Sometimes they simply did not provide data for measures established last year. In one division, there are no measures reflecting major areas of responsibility. Examples follow:

- **Unrealistic estimated performance measurement data:** There are two striking examples of this, making other estimated data questionable. First, in the Division of Employee Benefits in OPSB, there is a measure "Percent of health plan vendors that meet contractual performance standards" where the target is set at 100%. Fiscal 2001 and 2002 are estimated to have reached these standards. Significant findings by the Office of Legislative Audits include a number of items indicating that oversight of vendors was seriously lacking during the audit period ending mid-2000 (please see Oversight of Health Plan Vendors issue). Poor performance in one year does not realistically suggest exemplary performance in the next.

- **Measuring more than one behavior:** OPSB has as one of its measures "Percentage (at least 90%) of individuals appointed to vacant positions classified under OPSB's classification system as core clerical, professional fiscal, data processing operations, and professional social workers jobs that were recruited using up-to-date screening materials and exams, and that pass probation within one year of their appointment." OPSB is attempting to measure its own accountability in relation to new testing materials being developed, which is laudable. However, the source of change within the measure will not be obvious from the measure. If the agency moves from 85% to 90%, the reader will not know whether there is great improvement in the professional social worker selection process and lag in the data processing area, for example. It will be impossible to determine whether or not the pool of available workers in a particular field has an impact on the number getting through probation or whether or not it is the accuracy of the testing tool in predicting success in these professions. It might be useful to uncouple these different applicant groups to see where there is specific movement. If not that, it would also be useful to compare applicants chosen with the new testing methods against those chosen with the old tools. If the measure of success is getting through probation, comparing the old and new testing tools in pursuit of that goal will be helpful.

  Lastly, during the 2000 session, OPSB proposed plans to develop a new testing tool for correctional worker applicants, given the large investment into their training before they actually begin the job, and the disquieting tendency of them to quit soon after beginning the job. A means of adding this and other new profession classifications into this performance measure needs to be developed.

- **Data not provided for measures established last year:** In a number of instances, data were not provided for measures that were established in the fiscal 2001 MFR submission. For example, in the Office of the Secretary there are a number of measures related to statewide Equal Employment Opportunity goals. Again, in fiscal 2001's submission, measurement of performance during fiscal 2001 was the goal, and in fiscal 2002's submission, measurement of performance in that year was the goal. Some of these measures would seem to be relatively easy to gauge. For example, calculating the "percent of EEO complaints resolved at either the agency, Statewide EEO coordinator, or DBM Secretary's level" is information that should have been collected already.

- **No measures for major areas of responsibility:** In the Division of Finance and Administration in the Office of the Secretary, there are only two measures. If the major functions of the division could be adequately reflected in two measures, this parsimony would be laudable. However, the division manages the automated budget system, provides support to departmental staff and State agencies that use the system, and is responsible for printing the State Budget and Fiscal Digest. It also maintains a position control file for all authorized State positions to aid in the preparation of the annual State Budget. The two measurement indicators deal with the speed of payments to vendors and the placement of furniture and supply orders, which does not adequately reflect the breadth and importance of the division's total responsibility.

These are a few examples of the many ways in which DBM's MFR submission falls short. The Department of Budget and Management provides oversight to other agencies' MFR submissions and should be able to hold itself up as an example of what the process can accomplish. As was mentioned in the DBM analysis last year (FA.00), MFR is intended to lead to improved State agency accountability. Performance data will be considered when making decisions about statewide plans and spending priorities and the allocation of resources in agency budgets. Even though the characterization of the services the State provides is difficult in a MFR submission, the exercise reminds us that we have substantive responsibilities and accountabilities. **DBM should not be immune from this accountability. Its next MFR submission should be complete and provide enough accurate, thorough data for the General Assembly to use it in the way it was intended.**

Issues

1. Sick Leave Incentive Program

Chapter 179 of 2000 created a Sick Leave Incentive Program with the stated purpose of encouraging State employees to reduce their usage of sick leave by allowing them to receive compensation for unused days if they meet certain conditions. The program was part of the negotiated Memoranda of Understanding (MOUs) between the Governor and the representatives of the State employee bargaining units. Chapter 179 provided the statutory authority for these negotiated provisions, which included not only the sick leave incentive, but also changes to State personnel rules relating to holiday pay and to the death benefits for State employees killed in the performance of job duties. (The bill also made substantial changes to State's Executive Pay Plan.)

Provisions of the Sick Leave Incentive Program

Under the Sick Leave Incentive Program, employees in the State Personnel Management System (SPMS) and the Transportation Service Human Resources Management System (TSHRMS) are eligible for payment for unused sick leave as follows:

- employees may receive payment for up to 40 hours of unused sick leave per calendar year if an employee has used no more than 40 hours of sick leave during the calendar year and has a sick leave balance of at least 240 hours on December 31 of that calendar year;

- employees may receive payment of up to 56 hours of unused sick leave per calendar year if an employee has used no more than 24 hours of sick leave during the calendar year and has a sick leave balance of at least 240 hours on December 31 of that calendar year;

- the following sick leave usage does not count against a member's usage for purposes of the incentive: death in the immediate family, donated sick leave, and sick leave taken under the federal Family and Medical Leave Act;

- part-time employees are eligible on a prorated basis;

- agencies are required to track sick leave usage for the program retroactively to January 1, 2000, and are required to submit reports to the Secretary of Budget and Management at the end of each calendar year on their employees' participation in the program; and

- DBM is required to submit a report by October 15, 2003, that describes the effects of the program on employee use of sick leave, including any estimated overtime savings.

Background

State employees accrue 15 sick leave days per year. There was no prior statutory provision for cashing out unused sick leave, but employees were allowed to accumulate unused sick leave and apply it to their pension benefit formula at retirement. Chapter 347 of 1996 (personnel reform) established an incentive program to encourage employees to reduce sick leave usage. The program offered employees who had perfect attendance with an award of up to three days of unused personal leave or with the option of converting three days of unused personal leave to either annual or sick leave. This program was at the discretion of the appointing authority and sunsetted on July 1, 1997. Relatively few agencies participated and the stringent attendance requirements resulted in a relatively small number of conversions by the agencies that did participate.

Language in the 1998 *Joint Chairmen's Report* required DBM to address the State's sick leave policy to determine if changes could be made to encourage employees to use sick leave only in appropriate circumstances. The committees were concerned that the State's sick leave policy encourages, among some State employees, a level of absenteeism that is higher than necessary, leading to increased overtime costs particularly at public safety institutions. The committees recommended that DBM consider compensating employees annually for some portion of unused sick leave days as part of collective bargaining negotiations.

After surveying State agencies regarding sick leave usage, DBM found that the average number of sick days used per employee for calendar 1997 was 10.42 days, or approximately 4% of a work year. This usage compares to 9.34 days in calendar 1996 and 8.5 days in calendar 1995.

As part of the previous MOUs (in effect January 1, 1999), the employees' representatives agreed to sick leave regulations that allow an employer to require documentation of sick leave use if an employee consistently maintains a zero (or near zero) sick leave balance or the employee has six or more occurrences of undocumented sick leave use within a 12-month period. The employer may then take disciplinary action against an employee for, among other reasons, failing to provide appropriate documentation when properly required to do so.

Projected Impact for the Sick Leave Incentive Program

DLS noted that State expenditures (all funds) for the sick leave incentive would depend on the number of participants, offset by productivity and overtime savings, and reduced pension costs. Based on a series of assumptions, DLS estimated that net State personnel expenditures could increase by $356,700 in fiscal 2001 but then decrease by $2.2 million in fiscal 2002 as a result of the pension savings.

Cost Estimates

Both DBM and DLS assumed a payout cost of $11.2 million in fiscal 2001. This estimate was based on an average per person payout of approximately $200, which in turn was based on an average hourly rate of $18.40 per hour and an assumption that 20% of the eligible 56,500 employees will cash out five sick leave days and another 5% of employees will cash out seven days.

As is typically the case with across-the-board personnel legislation, DLS did not attribute the costs to individual agencies. The initial fiscal estimate provided by DBM also estimated the total cost at $11.2 million. The DBM estimate did attribute costs to the respective agencies but did so on a simple proportionate basis (number of employees times the estimated participation rate). DBM did not make any adjustment to take into account that employees at some agencies may have more accrued leave than at other agencies.

Savings Estimates

As part of the collective bargaining negotiations, the representatives of the bargaining units agreed that the covered employees would reduce sick leave usage by 10% in fiscal 2001, versus fiscal 2000 usage. DLS noted that there is no guarantee in the bill that employees will actually use 10% less sick leave. Moreover, a reduction in sick leave usage does not in and of itself reduce State costs, because these employees will receive their salary whether or not they show up for work. If sick leave were to be reduced by 10%, however, the State would reap gains from increased productivity and reduced personnel expenditures. Productivity gains are difficult to quantify and may take the form of improved government services rather than expenditure savings.

Lower personnel expenditures could come from a reduced need for contractual or temporary employees and a reduction in overtime usage. The exact amount of such savings could not be precisely estimated. Instead, DLS assumed that a 10% reduction in sick leave usage results in a 5% decrease in corresponding temporary and contractual employment (at the same salary level), resulting in a cost decrease of $4.3 million. The note also assumed a 10% reduction in overtime payments, resulting in a decrease in State overtime expenditures of $6.5 million, for total decreased expenditures of $10.9 million. The net fiscal impact for the State in fiscal 2001 was therefore estimated at a net cost of $356,700, based on the assumptions above. By contrast, DBM estimated a cashout cost of $11.2 million, a 10% sick leave savings of $8.6 million, and an estimated overtime savings of $1.8 million for a net cost of $651,173 in the first year.

There will also be a reduction in State pension costs under the bill. Under prior law, employees could not receive cash payments for unused sick leave but they could (and still can) receive pension service credit at retirement for such unused leave. The additional leave cannot qualify them for retirement eligibility; but once an employee is eligible for retirement, the extra leave can increase the member's years of service. The State's actuary advises that an average of an additional five months of service for unused sick leave is currently factored into the actuarial assumptions. DLS assumed this sick leave credit at retirement will decrease by one-third, or from five months to three and one-third months, because some employees will opt to cash out sick leave rather than accruing it until retirement, resulting in amortized pension savings of approximately $2.5 million beginning in fiscal 2002, increasing 5% per year thereafter based on actuarial assumptions.

Future year personnel costs were assumed to grow at 4.5% per year. It was assumed that the additional costs and savings are 60% general fund, 20% special fund, and 20% federal fund.

FA.00 - Department of Budget and Management

Fiscal 2001 Budget Impact

The program requires payments beginning January 1, 2001, based on calendar 2000 attendance. The costs of the program therefore begin in fiscal 2001. The contractual and overtime savings should theoretically also begin in fiscal 2001. These savings arguably could have begun well prior to January 1, 2000, if employees were aware of the collective bargaining agreement and subsequent legislation and began altering their sick leave usage accordingly in early calendar 2000. DLS estimated a fiscal 2001 net general fund cost of $214,000 (and a gross general fund cost -- assuming no productivity savings -- of $6.7 million). Neither of these figures were incorporated as a fiscal 2001 deficiency in the fiscal 2002 budget allowance. DBM budgeted a negligible $13,420 for the fiscal year and apparently advised the agencies that they would have to absorb any additional costs with existing resources.

Fiscal 2002 Budget Impact

DLS projected fiscal 2002 payout costs at $11.7 million and overtime and other savings at $11.3 million, for a net cost (before pension savings) of $400,000. Assuming a 60% allocation to general funds, this would result in a general fund gross cost for the buyout of $7 million (before pension savings) and a net cost of $240,000.

In preparing the fiscal 2002 allowance, however, DBM budgeted much less in savings than what the agency stated when it proposed the program. The governor's allowance includes a line item of $9.9 million in total funds ($6.3 million general funds) for the incentive cashout. Further, DBM advises that it has incorporated offsetting savings of only $6.2 million ($3.7 million in general funds), for a net cost before pension savings of $5.5 million ($3.3 million general funds). The savings DBM took were based as a percentage of the agency's overtime budget, but are not necessarily reflected in the agency's overtime budget line item. The agencies made individual decisions where to incorporate the reductions and these savings may be: 1) included in the overtime line item; 2) included in some other line item if the agency believed that it could absorb a reduction in overtime; or 3) reflected as less than full budgeting in the line item for the incentive. Moreover, DLS notes that the empirical basis for estimating any savings has yet to be established.

Because the savings associated with the program are not tracked in a separate line item (and some of the reductions may be incorporated in the cashout line item), it is impossible to verify DBM's asserted reduction. Agency overtime expenditures may vary for any number of reasons, and it is not possible to isolate the budgeted impact of the incentive program. The Governor's fiscal 2002 budget instructions provide that:

> agencies may budget up to $200 per FTE PIN for sick leave incentives. Increases for sick leave incentives shall be offset, in part or in whole, by reductions in overtime and, in some cases, reductions in contractual employment or additional assistance. DBM will issue a schedule of sick leave incentive budgets and overtime offsets.

The schedule referred to in the budget instructions apparently reflects the overtime reductions DBM advises that it has taken.

DLS also projected $2.5 million in pension savings, but the nature of the State's actuarial valuation does not allow for identification of these savings. While the pension contribution rate did indeed decline for fiscal 2002, the amount of that decline that is attributable to projected changes in the amount of accrued sick leave cannot be specifically identified. Moreover, the pension rate may increase in future years for reasons unrelated to changing patterns in sick leave accrual.

Variation in Sick Leave Patterns Among Agencies

Not only is the statewide impact of the program much greater than that which DBM testified to during the deliberations on HB 1270, but the impact on individual agencies is proving to be much greater than anticipated. Agencies with high morale tend to have lower sick leave usage and will experience greater costs when funding the cashout. Agencies with lower morale tend to have higher sick leave usage. These agencies will experience lower cashout costs, at least initially until employees build up sufficient sick leave to trigger the cashout. Moreover, it is not clear whether work conditions and other factors will encourage continued use of sick leave even with the cashout.

To the extent that agencies with "24/7" operations -- that require overtime employment to cover for sick employees -- are also agencies with high sick leave usage, they will pay out little under the cashout program, but would reap the greatest savings if the cashout actually alters behavior. Agencies with high morale and/or no 24/7 operations will experience the highest buyout costs and the smallest offsetting productivity savings.

Recommendations

While the program has been in place a relatively short time, it is clear that it is not functioning as intended when the General Assembly requested that the issue of sick leave usage be studied. The costs of the program are not being offset by the savings to which DBM committed. Even though the language of the bill discusses offsetting savings, there is no mechanism for ensuring these savings are realized. The Department of Legislative Services therefore makes the following recommendations:

- **DBM should be prepared to testify regarding its justification for changing its projected productivity savings;**

- **budget language should be included that limits the application of the program to a few pilot sites (preferably pilot sites, units, or agencies that are currently experiencing high sick leave usage to determine whether the program actually alters such usage); and**

- **the fiscal 2002 allowance should be reduced to $500,000 in general, special, and reimbursable funds to reflect the restricted scope of the program to the pilot agencies.**

2. Managing for Results

The statewide strategic planning initiative known as MFR is entering its fourth year of implementation. Agencies have generally complied with the reporting requirements. DLS has continued to evaluate agency MFR submissions and made recommendations for improvement when appropriate.

Not all elements of the MFR plans have been uniformly satisfactory. Much of the framework is in place for evaluating result-based plans and program performance data at the agency level. However, decision making involving spending priorities and resource allocation in some agency budgets based on MFR has yet to be established due to the continued lack of baseline data against which to evaluate agencies' progress in attaining objectives. When data is only available for the budget year for which appropriations are proposed, the ability to evaluate the impact of new programs based on any longer horizon is constrained. In addition, the lack of a well-defined statewide strategic plan limits the usefulness of MFR.

Structure

Agencies are responsible to develop the following aspects of the MFR process for each program appropriated in the annual budget bill:

- Mission -- a short comprehensive statement of the reason for the organization's existence, succinctly identifying what an organization does (or should do), and for whom it does it.

- Vision -- a brief and compelling description of the preferred, ideal, future, including the conditions and quality of life.

- Key Goals -- the general ends toward which an organization directs its efforts. Goals clarify the mission and provide direction but do not state how to get there.

- Objectives -- specific and measurable targets toward the accomplishment of a goal. Agency objectives should be attainable and time bound. When assessing performance targets, agencies should identify factors that can affect performance, such as money, people, time, economic conditions, and political considerations.

- Strategies -- specific courses of action that will be undertaken to accomplish goals and objectives. Strategies reflect budgetary and other resources.

- Performance Measures -- the system of customer-focused, quantified indicators that let an organization know if it is meeting its goals and objectives. There are five categories of performance measures: efficiency, input, outcome, output, and quality. Outcome measures should be reported for each program and agency. An appropriate and balanced mix of performance measures should be submitted for each program.

Reporting Requirements

Beginning with the fiscal 1999 budget request, DBM has required executive agencies to incorporate information derived from the MFR initiative into their budget requests. A three-year phase-in approach was undertaken. With the fiscal 2002 budget submission, agencies where to have provided completed mission statements; have established key goals, objectives, and performance indicators; and provided measurement data for those indicators. For each agency, after being reviewed DBM's Office of Budget Analysis, these elements (with the exception of strategies), were published along with the budget data in the Governor's fiscal 2002 budget books. The fiscal 2002 submission was expected to offer the General Assembly an opportunity to become more involved in the process by tying the proximity of measurement indicators and goals to justification for funds.

Issues

- **Some agencies are using measurement indicators opportunistically:** At least a few agencies are dropping performance indicators from fiscal 2001 even though new dollars were requested in fiscal 2001 to improve the performance measured by the indicator. By dropping the indicator the year after they received new funds, the agencies make it impossible to determine if the quality of services improved as expected when they requested the funding. Some agencies are also moving the fiscal year by which performance data will be available back from fiscal 2001 to 2002. The data were not available for evaluation for the last session, and they are not available for this session. Examples of this can be found in the Department of Budget and Management's own submission.

- **The time horizon is not long enough:** Agencies are currently required to provide estimated data for fiscal 2001 and 2002. However, many issues and programs have a longer time horizon and require data by which to measure performance past the budget year in the immediate future. Especially for new or expanded programs, MFR submissions would be more meaningful if objectives consistently state that by fiscal 2003, 2004, 2005, and so on, this program will achieve a particular goal. Some agencies, including a number of higher education institutions and the Maryland State Department of the Education have longer-term objectives like this. The results of new or expanded programs may not show in the first year of implementation; a longer time horizon would give an agency a chance to realistically depict its expectations for the performance of these new efforts. The provision of this information would save agencies who want to communicate their commitment to reaching their goals from making overly-optimistic estimates of performance in fiscal 2001 and 2002.
- **Statewide strategy:** There is no clearly articulated statewide strategic plan. *Governing* magazine, in its 2001 *Grading the States* issue, gave the State a grade of B for managing for results. It pointed to the uneven quality of agency submissions and to the fact that there is no statewide strategic plan even though a lot of strategic information is incorporated into Maryland's budget document. Without an overarching strategic plan, it is difficult to identify the State's primary goals. It is also difficult, without a framework, to make decisions about statewide plans and spending priorities which may require resource allocation to or reallocation between numerous agencies. A number of "key" performance measures are included in the budget highlight book and are listed in **Appendix 7**. If these are the key performance measures, should not the big increases in the budget target these areas? Can we infer that these are the Governor's key goals?

DBM should be prepared to discuss its plans for ensuring the submission of useful data in each agency's MFR submission. It should be prepared to discuss providing MFR data within a longer time horizon than is currently provided. Initial plans for a statewide MFR submission should also be discussed. DLS recommends committee narrative requesting a detailed discussion of these issues.

3. State Labor Relations Board

The State Labor Relations Board (SLRB) was created through Chapter 298, Acts of 1999 and made a part of DBM. It is comprised of four appointed members and the Secretary of DBM. Responsibilities of the board are many and include:

- creating of new bargaining unit guidelines;
- monitoring elections; and
- investigating unfair labor practices and lockouts.

The responsibilities of the Secretary include the regulatory and enforcement authority to define unfair labor practices and establish permissible labor-related activities on the work site. The Annotated Code of Maryland, State Personnel and Pensions, Section 3-306 specifies that: (a) the State and its officers, employees, agents, or representatives are prohibited from engaging in any unfair labor practice, as defined by the Secretary; and (b) employee organizations and their agents or representatives are prohibited from engaging in any unfair labor practices, as defined by the secretary.

The implication of this language is that the SLRB provide a neutral body which would develop standards and resolve disputes within the State public-sector labor relations structure. That structure includes the State itself as employer, the State's employees and their potential or actual labor representatives, members of the public, and the SLRB.

Other states which have collective bargaining for state-level public employees more explicitly define this implied neutrality. According to information provided by the American Federation of State, County, and Municipal Employees, of the twenty-five states which have state-level collective bargaining, ten provide for a balanced board defined as having labor, employer, and public representatives. Seven provide for a balanced board according to political party affiliation. Well over half provide for balance by either definition.

Maryland provides (State Personnel and Pensions, 3-202) that two members of the SLRB shall have knowledge of labor relations issues and not be officers or employees of the State or be members of an employee organization. Two members are to be part of the business community. The Secretary also serves on the board. Further, she also serves as the manager of the department given the authority to manage the State's personnel system. She is asked to play three roles in this process: she is asked to write the law (definition of unfair labor practices), she is asked to be the judge (serve on the board itself), and she is asked to represent the State, one of parties in potential disputes. Additionally, she has budgetary control over the resources which will allow the board to function on a day-to-day basis. Balance is somewhat lacking with this structure. As suggested in the last session, this could present a conflict of interest similar to having the Secretary of the Department of General Services manage and be a member of the Board of Contract Appeals. **To remove one of the potential avenues to a conflict of interest, DLS recommends that the SLRB be established as an independent agency, using existing personnel. Since the SLRB has a very small regular staff, it can avail itself of DBM's division created to aid small agencies with personnel and other administrative issues. Budget language to this effect is recommended.**

4. Unfavorable Audit Findings in the Office of Personnel Services and Benefits

The Office of Legislative Audits reports a number of unfavorable findings related to the Office of Personnel Services and Benefits, Division of Employee Benefits (EBD). These issues relate to the inadequate oversight of the health benefit program, and health and prescription contracts (a complete list of current health and prescription contracts can be found in **Appendix 8**). Committee discussion is recommend for the following significant findings:

- At the time of the audit (November 1, 1999, to May 31, 2000), EBD had still not resolved several important issues pertaining to its oversight of the State employee health care benefits program, for which 1998 costs totaled $415 million. For example, EBD did not ensure that it received audit reports within the required time frames from contractors hired to audit the administrators of the State's health care plans for plan years 1995 through 1998. EBD relied upon this audit process to ensure that claims payments, which totaled $1 billion during the four-year period, were timely and accurate as prescribed by the health insurance contracts.

- EBD did not closely monitor the audit results and determine the appropriate action to take when the administrators of the HMOs failed to meet contract performance standards, such as claim payment timeliness. Although the auditors calculated potential financial penalties, EBD had not taken any further action to resolve the audit findings.

- Overpayments identified by the prescription plan auditor had not been recovered by EBD. In April 1997, the auditor reported about $120,000 in net claim overpayments.

- Certain shortcomings were also noted in EBD's process for verifying claimants' health care eligibility. For example, EBD routinely verified the propriety of employees' eligibility for claims processed by two administrators of self-insured plans but did not do so for three other administrators. The three administrators paid claims totaling $162 million.

DLS recommends that the EBD be prepared to provide an explanation to the committees for these findings or provide evidence that they are not longer relevant.

5. Neighborhood Revitalization Spending in Maryland

The 2000 *Joint Chairmen's Report* requested that DBM annually report the State's spending for community revitalization efforts and Smart Growth projects as an appendix in the Governor's budget books. Pages 23 through 25 of the fiscal 2002 capital budget book provides a list of Smart Growth and neighborhood revitalization projects by county. Separate narrative in the 2000 JCR requested that the Maryland Department of Transportation provide: a list of projects funded in the 2001 *Consolidated Transportation Program*; cash flows; and the benefits associated with all projects funded. Other State agencies such as the Department of Housing and Community Development, the Maryland Department of Planning, and the Department of Natural Resources have revitalization components in many of their programs. In addition, the fiscal 2002 allowance includes several new initiatives including the Community Legacy program which would provide grants or loans to assist communities with revitalization activities.

Information on neighborhood revitalization projects and programs is helpful in determining the level of State resources devoted to these types of projects. Without comprehensive reporting of all neighborhood revitalization efforts, it is difficult to have a clear understanding of the State's expenditures on neighborhood revitalization and the benefits of those activities.

Building on the information provided in the fiscal 2002 Governor's budget books, DBM should begin to provide more comprehensive information on all neighborhood revitalization spending in the State. This report should detail not only specific projects but also information on the programs offered by the State that have a neighborhood revitalization impact.

DLS recommends committee narrative requesting increased reporting of neighborhood revitalization efforts statewide.

6. Inconsistent Policy on Vehicle Use and Purchase in the State

Some aspects of the State's vehicle fleet policy are troubling. There are three issues of concern. The Department of Natural Resources has extremely high average odometer readings in its divisions; it appears that State policy and practice does not necessarily provide for the appropriate selection of vehicle types, particularly sport utility vehicles; and there is what may be inappropriate use of State vehicles for personal use.

DNR's High Odometer Readings

In the Department of Natural Resources (DNR) - Program Open Space, Capital Grant and Loan Administration[1], there is an average odometer reading on its 64 fleet vehicles of 120,244 miles, the highest in the State. DNR Police vehicles have been driven an average of 114,437 miles; Forest and Parks average 107,771 miles; public lands, 105,235 miles; and fisheries, 102,751 miles. Why? DNR has

[1] Formerly called Land and Water Conservation Services.

fallen into a twenty-year replacement schedule on non-emergency vehicles. Some programs within the department ask employees to drive cars that do not have 3-point safety belts, air bags, collapsible steering columns, or other standard safety equipment. Specific examples include the South Mountain Recreation Area fleet inventory, which includes a 1984 Ford Bronco with 135,166 miles and a 1984 GMC pickup with 186,752 miles. DNR clearly needs to revise its fleet policy but needs general funds to support vehicle purchase. The special funds the agency generates are not adequate to maintain a constructive replacement schedule.

The Purchase and Replacement of SUVs

The Department of Legislative Services has noted a number of sport utility vehicle (SUV) purchases throughout the State, many of which are justified as replacement vehicles on a regular schedule. The State currently owns 993 SUVs; DBM has provided a list of requests for 87 replacement and new SUVs for fiscal 2002 (it is quite possible that the list is incomplete). These requests for purchase of these vehicles has raised the question of whether or not an agency has to newly justify the type of vehicles it purchases when an existing vehicle has reached its mileage limit. Specifically, if an agency currently has an SUV, does it need to justify a replacement SUV? The State is concerned with energy consumption, exemplified by its responsible policy toward the purchase of electricity and its interest in green construction. Does the State's concern reach into individual agencies' purchase of vehicles?

DBM's Fleet Auto Unit (FAU) has provided an explanation of the process by which most replacements are provided. Basically, after the DBM budget analyst ensures that the replacement standards are met (mileage) and the General Assembly approves, FAU's role is to verify that the agency procurement matches what was provided for by the General Assembly. It does not appear that there is a consistent policy for determining in the budget process whether or not there is continued (or existing) need for larger, less fuel efficient vehicles. FAU has scrutinized SUV procurements over the past two years at the behest of the former Secretary of DBM. They have had some success in convincing agencies to purchase smaller SUVs or another type of vehicle, including some alternate-fuel SUVs. FAU has also limited the purchase of the largest type of SUVs by restricting purchase to vehicles which are required to tow. However, most of the power of FAU has lies in its power of persuasion, not in its ability to turn to a comprehensive policy toward SUVs.

The State's Vehicle Commute Policy

The third issue is the large number of drivers who use State vehicles to commute, but do not pay a commute charge. The largest number of these commuters are exempted by policy because they are supposed to be on call in the event of an emergency. For example, DNR currently has 333 vehicles which are used by employees to commute to and from work, but only 15 of these commuters pay a charge. State emergency vehicle policy requires that employees who commute to and from work with a State vehicle be on-call *and* be called in on an emergency at least 20 times a year. There is some question of whether or not this policy is enforced. There is also the question of whether or not the policy is appropriate. Many State employees use their own vehicles for work-related activities and then are reimbursed for use, which considers both the gas consumption and depreciation on the car.

In summary, DLS is concerned about the following:

- **the age of DNR's fleet;**

- **the appropriateness of the State's policy toward the purchase and replacement of SUV's ; and**

- **the enforcement and appropriateness of the State's commute policy is appropriate and is being enforced.**

Budget bill language is recommended prohibiting purchase of new State vehicles until a report by DBM and DNR answering these and other questions has been submitted and reviewed by the committees.

7. Statewide Employee Expenses

The fiscal 2002 allowance for the salaries and fringe benefits of regular and contractual positions, with comparisons to fiscal 2002 and 2001, is shown in **Exhibit 7**. Slight variations exist between budgeted numbers and reported assessments due to variations in the way agency budgets are reflected in the budget database provided to the legislature. For this reason, detail for nonbudgeted agencies is shown only in their respective agency analyses, because many omit subobject detail in their electronic budget database transmissions, preventing the accurate depiction of salary and fringe benefit expenditures.

Exhibit 7

Summary of Employee Salaries and Benefits
Excludes Fiscal 2001 Deficiencies
($ in Millions)

Budgeted Salaries and Benefits	FY 2000 Actual		FY 2001 Working		% Change	FY 2002 Allowance		% Change
Regular and Contractual Positions	**85,372.8**		**87,885.1**		**2.9%**	**90,730.2**		**3.2%**
Regular Positions	**75,505.9**		**78,562.3**		**4.0%**	**81,610.3**		**3.9%**
Contractual Positions	**9,866.9**		**9,322.8**		**-5.5%**	**9,119.9**		**-2.2%**
Regular Employee Salaries[1]	$ 1,945.8	*	$ 2,206.8	*	13.4%	$ 2,448.5	*	10.9%
Contractual Salaries[1]	97.9	*	101.5	*	3.6%	92.6	*	-8.8%
Higher Education Employee Salaries[2]	1,199.7	*	1,395.5	*	16.3%	1,488.4	*	6.7%
Overtime	103.9		75.8		-27.0%	81.4		7.4%
Shift Differential	9.6		10.5		9.1%	10.5		0.6%
Pay for Performance Bonus Pool	2.6		6.3		138.5%	-		-100.0%

Statewide Reclassifications	-		1.3			9.6		625.6%
Total Salaries	**$ 3,359.6**		**$ 3,797.7**		**13.0%**	**$ 4,130.9**		**8.8%**
Employee Health Insurance	289.7		350.0		20.8%	413.1		18.0%
Retiree Health Insurance	79.7		95.6		20.0%	111.4		16.5%
Total Health Insurance	**$ 369.3**		**$ 445.6**		**20.6%**	**$ 524.4**		**17.7%**
Employee Retirement	137.8	*	131.8	*	-4.4%	119.7	*	-9.2%
SB1 Surcharge - Early Retirement	20.2		20.9		3.4%	22.4		7.1%
Teachers' Retirement[3]	19.0	*	24.1	*	26.4%	20.0	*	-17.0%
State Police Retirement	1.6	*	8.1	*	417.5%	7.2	*	-10.9%
Judges' Retirement	13.6	*	13.9	*	2.7%	14.2	*	1.6%
Optional Retirement - TIAA	36.5	*	40.2	*	10.0%	44.2	*	10.0%
DNR Police Retirement	6.4	*	7.6	*	18.9%	11.3	*	48.1%
MTA Retirement	14.4	*	15.2	*	4.9%	15.8	*	4.0%
Total Retirement (includes other)	**$ 250.5**		**$ 262.6**		**4.9%**	**$ 255.3**		**-2.8%**
Tuition Reimbursement	-		0.3			0.3		0.0%
Sick Leave Incentive Program	0.0		0.0			9.9		73932.0%
Deferred Compensation State Match	17.7		23.2		31.2%	24.7		6.4%
Additional Assistance and Unallocated	26.0		26.2		0.7%	26.0		-0.4%
Tuition Waivers	10.3		11.7		14.1%	12.2		4.0%
Student Payments	27.2		29.8		9.5%	32.3		8.3%
Other Fringe Benefits	18.2		7.9		-56.4%	8.9		11.4%
Total Other Fringe Benefits	**$ 99.5**		**$ 99.2**		**-0.3%**	**$ 114.3**		**15.3%**
Social Security	**$ 228.8**	*	**$ 253.9**	*	**11.0%**	**$ 281.2**	*	**10.8%**
Workers' Compensation & Reserve	**$ 51.4**		**$ 54.0**		**4.9%**	**$ 65.0**		**20.5%**
Unemployment	**$ 7.0**	*	**$ 3.1**	*	**-55.5%**	**$ 2.6**	*	**-16.8%**
Budgeted Turnover - Regular[1]			**$ (177.7)**	*		**$ (196.8)**	*	**10.8%**
Percent Turnover[1]			6.2%			6.2%		

Budgeted Turnover - Contractual[1]		**$ (10.7)** *		**$ (9.4)** *	**-11.9%**
Percent Turnover[1]		9.7%		9.4%	
Budget Turnover - Higher Education[2]		**$ (68.4)** *		**$ (79.8)** *	**16.7%**
Percent Turnover[2]		4.1%		4.5%	
Total Budgeted Salaries and Benefits	**$ 4,366.0**	**$ 4,659.4**	**6.7%**	**$ 5,087.8**	**9.2%**

[1] Statewide totals, excluding higher education.
[2] Includes both regular and contractual higher education budget elements.
[3] Does not include local aid portion.
* Components of the turnover calculation. Additional assistance is not included in the formula; unallocated is.

Source: Maryland State Budget

Overall, budgeted expenditures for salaries and fringe benefits (for budgeted agencies) increase $428.4 million, or 9.2% from fiscal 2001 to 2002. These additional expenditures are primarily attributable to the inclusion of a general salary increase of 4% (implemented on January 1, 2002), the annualization of fiscal 2001's general salary increase, the cost of increments, and the cost of new employees. They are also attributable to health insurance increases for active and retired employees. These and other components of statewide compensation are discussed in more detail below:

- **Regular and contractual employee salaries:** Overall, employee salary expenditures rise $333.2 million between fiscal 2001 and 2002, an 8.8% increase. Components of that increase are demonstrated in **Exhibit 8**:

Exhibit 8

Increases in Regular and Contractual Employee Salaries
Fiscal 2001 to 2002

Salary Element	$ in Millions	% Over FY 2001
Non-Higher Education Regular Employees	$250.0	10.9%
Fiscal 2002 general salary increase	44.1	
Annualization of fiscal 2001 general salary increase	33.1	
Cost of salary schedule increments	50.1	
New Employees	107.6	
Other*	15.1	

Non-Higher Education Contractual Employees	(8.9)	(8.8%)
Higher Education Employee Salaries	92.8	6.7%
Overtime Costs	5.6	7.4%
Shift Differential	.1	1.0%
Pay for Performance Bonus Pool	(6.3)	(100.0%)

*Other includes miscellaneous charges and the increase for reclassifications represented in DBM/s budget.

Source: Department of Legislative Services

- **Health insurance:** Total active employee health insurance cost, including prescription costs, are expected to rise about 18.0% or $63.1 million; retiree health insurance costs are expected to rise at a slightly slower rate of 16.5%, an absolute increase of $15.8 million. Both components contribute to an overall 17.7% or $78.9 million increase. Calendar 2001 expenditures for both individual health and other insurance providers are reviewed in Appendix 8. This increase takes into account underfunding. Reasons for the increase in prescription costs are discussed in the Updates section.

- **Retirement costs:** Budgeted costs for fiscal 2002 show a decrease of 2.8% compared to fiscal 2001, due to decreases in rates charged to the State. If those more favorable rates had been calculated solely on fiscal 2001's payroll costs, the State would have realized significant savings. However, much of that potential savings is offset by increases in payroll and to improvements in police, judicial, and MTA retirement systems.

  The early retirement surcharge increases from $20.9 million to $22.4 million based on the actual amortization payment schedule for fiscal 1999 through 2002. The Workforce Reduction Act of 1996 (SB 1, enacted as Chapter 353, Acts of 1996) which provided a one-time incentive for State employees to retire early resulted in additional actuarial liabilities of $78.1 million.

- **Other fringe benefits:** Other various fringe benefits contribute an increase of $21.3 million in fiscal 2002 over 2001. The largest portion of that increase, the State's new sick leave incentive program, contributes a $9.9 million over a negligible fiscal 2001 budgeted amount. The program and components of this figure are reviewed in detail in the issues section of the analysis. There is a small increase in the deferred compensation State match ($1.5 million), in payments made to student workers in the University System of Maryland ($2.5 million), tuition waivers ($.5 million), and in other fringe benefits ($.9 million). Additional assistance and unallocated funds contribute a $6.1 million increase. This category includes funds budgeted in individual agencies for annual salary review increases such as the addictions counselors in the Department of Health and Mental Hygiene.

- **Worker's compensation and unemployment insurance:** The total assessment to the State for the Injured Worker's Insurance Fund (IWIF) increases by $11.1 million to $65.0 million, based on actual net claim payments made by the fund for fiscal 2000. The reserve for unfunded liability remains at $20.0 million. Expenditures for unemployment insurance decreases from $3.1 million in fiscal 2001 to $2.6 million in fiscal 2002 (-16.8%), due to a significant decrease in the rate charged the State which is to reimburse the trust fund for claims paid.

The potential impact of ASRs, the general salary increase, increment costs, and pay for performance bonuses on a sample of employee classifications can be found in **Exhibit 9**.

Exhibit 9

Comparison of Salary Elements on Pay Grade

Fiscal 2001 Grade, Step, & Salary	Performance Rating	Grade Adjustment	Increment	General Salary Increase	Bonus	Total Increase	% Over Fiscal 2001 Salary
Office Secretary I	Outstanding	None	$835	$922	$1,000	$2,757	12.4%
Grade 8, Step 1	Exceeds Standards	None	835	922	500	2,257	10.2%
$22,207	Meets Standards	None	835	922		1,757	7.9%
	Needs Improvement	None		922		922	4.2%
	Unsatisfactory	None		922		922	4.2%
Grade 8, Step 13	Outstanding	None	573	1,221	1,000	2,794	9.3%
$29,945	Exceeds Standards	None	573	1,221	500	2,294	7.7%
	Meets Standards	None	573	1,221		1,794	6.0%
	Needs Improvement	None		1,221		1,221	4.1%
	Unsatisfactory	None		1,221		1,221	4.1%
Correctional Officer II	Outstanding	None	694	1,467	1,000	3,161	8.8%
Grade 12, Step 9	Exceeds Standards	None	694	1,467	500	2,661	7.4%
$35,983	Meets Standards	None	694	1,467		2,161	6.0%
	Needs Improvement	None		1,467		1,467	4.1%
	Unsatisfactory	None		1,467		1,467	4.1%
Administrator III	Outstanding	None	1,061	2,218	1,000	4,279	7.9%
Grade 18 Step 10	Exceeds Standards	None	1,061	2,218	500	3,779	6.9%
$54,379	Meets Standards	None	1,061	2,218		3,279	6.0%
	Needs Improvement	None		2,218		2,218	4.1%
	Unsatisfactory	None		2,218		2,218	4.1%
Registered Nurse	Outstanding	5,637	778	1,870	1,000	9,285	23.1%
Grade 14, Step 8	Exceeds Standards	5,637	778	1,870	500	8,785	21.8%
$40,229	Meets Standards	5,637	778	1,870		8,285	20.6%
	Needs Improvement	5,637		1,870		7,507	18.7%
	Unsatisfactory	5,637		1,870		7,507	18.7%

Source: Fiscal 2001 Standard Salary Schedule; proposed fiscal 2002 salary elements.

8. Publication of the Annual Report of the Office of Personnel Services and Benefits

For many issues related to the administration and costs of the State's personnel system, there is no document of record in the State. Even though the Department of Budget and Management is cooperative, there is no periodic collection and reporting of consistent data. For example, the collection of sick/absentee leave data in response to a 2000 interim legislative request for information was piecemeal at best. Those data are not collected on a regular schedule and, in the 2000 interim, were not available for after fiscal 1997 without a survey of individual agencies. **Language developed in consultation with DBM establishing the required detail for an annual report of personnel data will be submitted by DLS in time for the decision meeting process.**

Recommended Actions

1. Add the following language:

SECTION XX. AND BE IT FURTHER ENACTED, That any agreements between State agencies and any public higher education institutions involving an expenditure of more than $100,000 shall be published in the Maryland Register and reported to the budget committees.

Explanation: To ensure oversight of agreements between State agencies and public higher education institutions, the language requires all agreements between State agencies and public higher education institutions valued at more than $100,000 be published in the Maryland Register and reported to the budget committees.

Information Request	**Authors**	**Due Date**
Report of any agreement valued over $100,000 signed between a State agency and a public higher education institution	Appropriate State agency	After agreements have been executed

2. Add the following language:

SECTION XX. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that, in the budget submitted at the 2002 session, funds may be expended to implement provisions of collective bargaining agreements invoked under Executive Order 01.01.1996.13 or legislation adopted at the 2001 session only to the extent that:

(1) the direct and indirect cost of implementing the provisions, including the cost of additional employee compensation and fringe benefits developed in consultation with unit representatives, is expressly identified in the budget bill in a format similar to that used for the 2001 session; except that expenses are to be reported both on a statewide basis and for employees represented by a bargaining unit; and

(2) the amount indicated is approved by the General Assembly through its actions on the budget bill.

Explanation: This section requires that the direct and indirect cost of implementing the collective bargaining agreement provisions be identified for express approval by the General Assembly through its actions on the budget bill submitted at the 2002 session. The identification of costs shall include negotiated salary increases and costs added through deficiency appropriations.

3. Amend the following section:

SECTION 29. AND BE IT FURTHER ENACTED, That any budget amendment to increase the total amount of special, federal, or higher education (current restricted and current unrestricted) fund appropriations<u>, or to make reimbursable fund transfers from the Governor's Office of Crime Control and Prevention,</u> made in Section 1 shall be subject to the following restrictions:

Explanation: Federal funds previously transferred from the Governor's Office of Crime Control and Prevention (GOCCP) to receiving agencies were double counted as expenditures in both GOCCP and the receiving agencies. DBM has since begun processing these monies through budget amendment as reimbursable funds, thus eliminating the problem of double counting. The Department of Legislative Services (DLS) agrees with this more accurate accounting of these funds. Further, since GOCCP expects to transfer over $41.5 million in grants in fiscal 2002, DLS believes it is important to continue reviewing these transactions.

4. Amend Section 24:

<u>The general fund forecast shall included but not be limited to the following cost components, based on actual experience over the two fiscal years preceding the forecast, and projections of economic activity and inflation for each year of the forecast. This shall include for all eligible State employees:</u>

<u>(1) salary increment cost increases;</u>

<u>(2) general salary increases, including annualization costs, to the extent that they are negotiated or provided through other means;</u>

<u>(3) health and prescription insurance cost increases.</u>

<u>Moreover, each year of the forecast shall account for:</u>

<u>(1) non-personnel operating cost increases; and</u>

<u>(2) operating funding and personnel for new capital project requirements, as outlined in the *Capital Improvement Plan*.</u>

<u>Furthermore, narrative annotations shall accompany the forecast which enumerates change in each caseload and details any negative adjustments made to any year of the forecast.</u>

Explanation: The Governor's general fund forecast should reflect more realistic assumptions if it is to provide any predictive value.

5. Strike Section 23 in its entirety and substitute:

    SECTION 23. AND BE IT FURTHER ENACTED, That for fiscal 2003, capital funds shall be budgeted in separate eight-digit programs. When multiple projects and/or programs are budgeted within the same eight-digit program, each distinct program and project shall be budgeted in a distinct subprogram. To the extent possible, subprograms for projects spanning multiple years shall be retained to preserve funding history. Furthermore, the budget detail for fiscal 2001 and 2002 submitted with the fiscal 2003 budget shall be organized in the same fashion to allow comparison between years.

    Explanation: This is a modification of language which has been added for many years. The standard language which remains the same is the requirement that capital appropriations be budgeted in discrete budget codes and not co-mingled with operating appropriations. The modification further refines the requirement by indicating that if multiple projects are funded in the same budget code (e.g. Board of Public Works) each distinct project should be budgeted within a distinct subprogram within the budget code. Further, subprograms should remain the same year-to-year for projects funded over multiple years. This requirement would make it easier to identify where projects are funded and track the funding history of a project from one year to the next.

6. Add the following language:

    SECTION XX. AND BE IT FURTHER ENACTED, That the scope of the sick leave incentive program established in Chapter 97, Acts of 2000 be limited to no more than three pilot sites, units, or facilities selected by the Department of Budget and Management (DBM) for purposes of a pilot evaluation program. DBM shall select the three pilot sites, units, or facilities in the sick leave incentive program based on their sick leave usage; variation between agencies should be considered. DBM shall establish a system for tracking the costs and savings related to the sick leave incentive program and report back to the budget committees a quantitative evaluation of the effectiveness of the program at reducing sick leave utilization by February 1, 2002. Sick leave incentive payments under this program shall be limited to $500,000 in general, special, and reimbursable funds.

    To recognize savings resulting from restricting the sick leave incentive program to three agencies, funds appropriated in this budget for the sick leave incentive program shall be reduced by $5,749,061 of general funds, $2,111,546 of special funds, and $158,854 of reimbursable funds. The Governor and officials responsible for administration and amendment of the State budget shall develop a schedule for allocating this reduction to the programs of the Executive and Judicial branches.

    Explanation: Although the sick leave incentive program has been in place a relatively short period of time, it is clear that it is not functioning as intended. Costs are not being fully offset by commensurate overtime and efficiency savings and projections appear generally unrealistic. This section reduces the program to a pilot program until more information can be provided and the program can be budgeted with more assurance. A $5.7 million general fund, a $2.1 million special fund, and $.2 million reimbursable fund reduction is taken to reflect the narrower scope of the program.

Information Request	Authors	Due Date
Report on pilot Sick Leave Incentive Program	DBM	February 1, 2002

7. Add the following language:

SECTION XX: AND BE IT FURTHER ENACTED, That no funds may be expended for the purchase of any new or replacement motor vehicle until the Department of Budget and Management (DBM) and the Department of Natural Resources (DNR) have completed the following reports:

(1) With respect to DNR's fleet, DNR and DBM should jointly submit a report that includes:

(i) for all vehicles in DNR's fleet that will have an excess of 100,000 miles at the end of fiscal 2001, a plan to replace them by fiscal 2005;

(ii) a plan to keep and maintain a reasonable and timely replacement schedule for the DNR fleet, after the fleet has been replaced, that takes into account the annual number of miles logged by the DNR vehicle fleet and the conditions under which the agency operates its vehicles;

(iii) an examination of DNR's commute and vehicle replacement policies compared to other agencies like the Maryland Department of Environment with similar emergency response issues;

(iv) the status of each of DNR's maintenance vehicles, including vehicle condition, hours used, mileage (if applicable), and age; and

(2) With respect to the State's fleet, DBM should submit a report that includes the following:

(i) a comprehensive documentation of the process by which the decision is made to purchase or replace sport utility vehicles (SUV);

(ii) a revised criteria for the initial purchase or replacement of an SUV that limits their purchase to the agencies and activities where their use is justified. The criteria should take into consideration the economic and environmental impact of the decision (i.e., can a smaller, cheaper, and/or more fuel efficient vehicle do the job as well?);

(iii) a review of each SUV in the State fleet as well as those requested for purchase in fiscal 2002, along with a determination as to whether an SUV is justified, or whether a less expensive more fuel efficient vehicle would be more appropriate;

(iv) a comprehensive review of the State's commute policy, including documentation of the number of employees who avail themselves of the policy, by agency; and

(v) a proposal for ensuring tighter enforcement of the policy, if needed.

Both reports shall be submitted to the budget committees for review and comment. The committees shall have 45 days to review and respond.

Explanation: Some aspects of the State's vehicle fleet policy are troubling. First, the committees are concerned that the DNR has many vehicles in its fleet which have in excess of 100,000 miles and are not being replaced in a timely manner. Second, it appears that State policy and practice does not necessarily provide for the appropriate selection at purchase and replacement of vehicle types, particularly sport utility vehicles. Third, there is what may be inappropriate use of State vehicles for personal use, under the guise of a commute policy.

Information Request	**Authors**	**Due Date**
Vehicle policy report	DNR, DBM	May 15, 2001

8. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, that the Department of Budget and Management (DBM) is required to submit to the Department of Legislative Services' Office of Policy Analysis documentation of any specific recruitment, retention, or other issue that warrants a pay increase. To implement this section, DBM is directed that the following information be provided according to the schedule indicated:

(1) Full documentation and justification shall be submitted to the budget committees and the Department of Legislative Services' Office of Policy Analysis at least 20 days prior to the effective date of any change in pay grade, change of class within series, or establishment of a new class or position within the Executive Pay Plan. The Department of Legislative Services' Office of Policy Analysis will review these submissions and advise the committees.

(2) The Department of Budget and Management shall provide to the Department of Legislative Services' Office of Policy Analysis a report listing the grade, salary, title, and incumbent of each position in the Executive Pay Plan as of July 1, October 1, January 1, and April 1. These reports shall be submitted in both paper and electronic format. Each position in the report shall be assigned a unique identifier which describes the program to which the position is assigned for budget purposes and corresponds to the manner of identification of positions within the budget data provided annually to the Department of Legislative Services' Office of Policy Analysis.

Explanation: Legislation, enacted in the 2000 session (HB 1270), alters the structure of the

Executive Pay Plan to give the Governor flexibility to compensate executives at appropriate levels within broad salary bands established for their positions without reference to a rigid schedule of steps. The General Assembly offers continued support of this change and expect it to assist the State's efforts to recruit talented employees to and retain them at the top levels of State government. The General Assembly is concerned, however, that the legislation also diminished oversight of State administration by eliminating the requirement that the Board of Public Works approve any extraordinary changes in position classification or compensation. This process included a review of these transactions by the Department of Legislative Services' Office of Policy Analysis which served both to inform the board's deliberations and to advise the fiscal leadership of the legislature of significant problems identified in classification of positions in the executive service as well as particular changes in executive personnel.

Information Request	**Authors**	**Due Date**
Documentation on changes in Executive Pay Plan	DBM	20 days prior to effective date
Report on all Executive Pay Plan positions	DBM	July 15, 2001 October 15, 2001 January 15, 2002 April 15, 2001

9. Adopt the following narrative:

Improvements in Managing for Results Plan: DBM should provide a report to the committees in which it discusses its plans for *ensuring* the submission of useful data in agency MFR submissions. The report should also include a section in which the feasibility of providing longer time horizons for certain performance indicators is discussed. For example, when an agency is considering initiating a new program or expanding an existing program, some results may not be apparent in the first year. The agency should, in cases like this, be given the opportunity to provide its projection of improved performance in those areas. Lastly, the report should include plans for the provision of a statewide strategic plan.

Information Request	**Authors**	**Due Date**
Improvement in Managing for Results	Department of Budget and Management	July 1, 2001

10. Add the following language:

<u>, provided that $75,000 of this appropriation intended for 3 competitive re-engineering pilot projects may only be used for this purpose.</u>

Explanation: The Division of Policy Analysis is requesting funding for the development of three competitive re-engineering pilot projects. These projects will not be identified until after session. If, after session, these funds are not expended for this intended purpose, they should not be expended for any other purpose.

	Amount Reduction		Position Reduction
11. Reduce funding for the Council on Management and Productivity. The Council was established in 1996 to solicit ideas, proposals, and suggestions from the business community, nonprofit organizations, government entities, and citizens of the State for innovative ways for the State to manage its resources more efficiently while maintaining quality programs and delivery of services. As a cost containment measure, in light of a large private donation made to the Council, State funds are reduced .	$ 50,000	GF	
12. Reduce funds requested by the Division of Policy Analysis for electronic document processing programming. The request is made in response to the large increase in the volume of documents it is required to handle, and an unfavorable audit result. It arrived at the $500,000 figure based on the cost of other document management systems in the Governor's Office and the Maryland Department of Transportation, but has not provided an Information Technology Project Request (ITPR). Because of this, DLS recommends that the division's budget be reduced by $500,000. It is authorized to use Information Technology Investment Funds after an ITPR has been submitted.	$ 500,000	GF	

13. Adopt the following narrative:

Cost Savings in the State's Purchase of Prescription Drug Coverage: It is the intent of the committees that the Department of Budget and Management (DBM), Office of Personnel Services and Benefits - Division of Employee Benefits, report on the measures taken to mitigate the sharply rising cost of prescription drugs in the award of the contract to AdvancePCS. The report should include information on measures taken under the new contract which will control prescription costs, and the expected savings from those measures. Expected savings should include baseline data, and should include both total and yearly projected and comparative (what it would have cost under the provisions of the previous contract) costs. The report should address, but not be limited to, information on the possibility of prescription bulk buying and multi-state prescription insurance consortium participation. The department should feel free to draw on its expertise to go beyond these suggested savings mechanisms, and make other suggestions for potential savings techniques.

Information Request	**Authors**	**Due Date**
Cost Savings in the State's Purchase of Prescription Drug Coverage	DBM, OPSB - Division of Employee Benefits	July 1, 2001

		Amount Reduction		Position Reduction
14.	Reduce funds requested by the Division of Labor Relations to purchase the services of a labor negotiator for the next round of collective bargaining. The division has demonstrated the need for the negotiator and, in fiscal 2001 reduced its budget by one regular position after the last round of negotiations. However, the division is not able to provide support for the specific amount. The budget reduction brings the funds closer to the salary paid the regular employee formerly providing negotiating services for the division.	$ 50,000	GF	

15. Add the following language:

<u>, provided that the State Labor Relations Board be established as an independent agency.</u>

Explanation: To remove one of the potential avenues to a conflict of interest given the many sometimes conflicting roles filled by the Secretary of Budget and Management, the State Labor Relations Board (SLRB) should be established as an independent agency, using existing personnel. Since the SLRB has a very small regular staff, it can avail itself of DBM's division created to aid small agencies with personnel and other administrative issues.

		Amount Reduction		Position Reduction
16.	Reduce funds requested by Capital Budget Analysis and Formation for computer software programming. With this funding, the division intended to ensure both the compatibility of its current and enhanced system with the Windows2000 environment slated to be installed by fiscal 2002. However, the division has not provided an Information Technology Project Request (ITPR) which would delineate projected expenditure detail. Because of this, it is recommended that the division's budget be reduced by $400,000. It is authorized to use Information Technology Investment Funds after an ITPR has been submitted.	$ 400,000	GF	

17. Adopt the following narrative:

Comprehensive Reporting of Neighborhood Revitalization Efforts: The State provides funds for neighborhood and community revitalization efforts through a number of programs, agencies, and budgetary methods. The State budget often includes direct grants to local communities for revitalization efforts. To the extent possible, discrete projects should be coordinated with existing programmatic efforts towards revitalizating neighborhoods. The General Assembly and the public would benefit from seeing an overall picture of the State's financial and programmatic support for revitalization efforts, and the committees would be better able to evaluate the types and magnitude of resources directed to revitalization. The Department of Budget and Management (DBM) should report, in a comprehensive manner, all revitalization and Smart Growth spending, both discrete projects and programmatic spending, as an appendix in the Governor's fiscal 2003 budget books.

Information Request	Authors	Due Date
State funding for neighborhood and community development efforts in the fiscal 2002 budget and as proposed for fiscal 2003	DBM	With the fiscal 2003 budget

Total General Fund Reductions **$ 1,000,000**

Updates

1. Prescription Drug Costs Continue to Rise Sharply in the State

In the 2000 session, DLS raised concerns over the sharply rising costs of prescription insurance in the State. Those concerns were not misplaced. Prescription costs are projected to rise approximately 20.2% in fiscal 2002 over fiscal 2001. Again, the reasons for this increase include:

- the increasing sophistication and effectiveness of drugs which tends to drive up costs;
- the use of more aggressive diagnostic standards by physicians;
- the increased use of preventive treatments;
- the use of more aggressive marketing efforts by pharmaceutical companies, including direct-to-consumer advertising;
- the high cost associated with new drugs:
- a growing population;
- the use of drugs in combination to address health problems; and
- longer life expectancy.

Some reports attribute some of the increase to excessive drug company profits.

The OPSB, Division of Employee Benefits fiscal 2000 JCR item response to a request for information on efforts to reduce rising prescription drug costs within the State, which was to include a discussion of the possibility of participating in a multi-state consortium of prescription drug insurers, was inadequate. It focused on the contract with AdvancePCS HealthSystems which had recently been negotiated and provided projected savings, with no baseline or comparison data. **DLS recommends that DBM be prepared to discuss increases in State prescription costs. It also recommends that DBM revisit the report submitted during the interim and provide more thorough information.**

2. Standard and Executive Salary Schedule

Standard Salary Schedule

The standard salary schedule was implemented on July 1, 1999. This plan was revised as of July 1, 2000, to accommodate classifications moved off the newly revised Executive Pay Plan. In February 2001, approximately 47,627 full-time equivalent employees (48,138 individuals) were paid on this newly designed schedule.

The newly designed salary schedule has four additional grades, expanding it to 26 grades, with 16 steps each, as demonstrated in **Appendix 9**. At each step, the grades provide salaries approximately 6.7% different from one another. Steps provide approximately 3.6% to 3.9% (steps 1 through 4), or 1.8% to 2% (steps 5 through 16) incremental increases. The value of these increments is slightly lower than found in the salary schedule as originally designed because general salary increase in fiscal 2000 provided flat increases for each classification. A flat rate, as opposed to a percentage increase, tends to "compress" a schedule. The highest possible salary paid on the standard salary schedule is $103,980 (as of November 15, 2000), increasing to $108,139 on January 1, 2002, with the Governor's proposed 4% increase. These salaries are 607% higher than those paid to employees in the lowest grade (grade 2, step 0). As of February 2001, the cell within which the largest number of employees are paid is grade 12, step 10. The average salary paid for those currently on the standard salary schedule is $37,595.

Executive Pay Plan

The current Executive Pay Plan (EPP) was created by way of Chapter 179, Acts of 2000, which allowed for the creation of an EPP with salary ranges instead of the previous grade and step system. The plan has 8 grades; the bandwidth or percent difference between the minimum and maximum salaries, is 29.2%. As of January 1, 2001, there were 183 employees paid on the EPP; the average salary for those employees was $96,001. The minimum and maximum salaries paid for each grade, along with the average salary in each grade, are shown in **Exhibit 10**.

Exhibit 10

Executive Salary Schedule -- November 15, 2000
Average Salaries Paid as of January 1, 2001

	Minimum	Midpoint	Maximum	# of FTEs	Average Paid
ES 4	$ 65,882	$ 75,502	$ 85,122	12	$ 76,536
ES 5	70,939	81,298	91,656	33	83,840
ES 6	76,401	87,557	98,713	54	89,792
ES 7	82,301	94,318	106,336	31	98,181
ES 8	88,673	101,621	114,569	20	104,994
ES 9	95,556	109,509	123,462	22	113,165
ES 10	102,986	118,025	133,063	5	117,736
ES 11	111,015	127,225	143,436	6	135,430
Total				**183**	**$96,001**

Source: Department of Budget and Management

3. Absentee Rate Information

The most recent absentee data available from OPSB is sick leave data from 1997, gathered in response to a 1998 JCR item. OPSB reports that development of the new Personnel Benefits Information System (PBIS) will be far enough along by July 2004 to easily supply DLS or others with absentee data. In order to make any sort of preliminary calculations on the budgetary effect of Chapter 179, Acts of 2000 which provides for an incentive to not use sick leave, other means of collecting these data must be established. **OPSB should be prepared to discuss alternatives for collecting absentee data in the next four years, as well as any up-to-date information currently available.**

4. Status of Personnel Reform

Comprehensive State personnel reform enacted in 1996 provided for a decentralized system whereby individual agencies in effect manage their own personnel systems. It is the intention of OPSB to provide the administrative support necessary for those agencies to be successful in that effort, including initiating a unit specifically designed to help small agencies with their concerns. Among OPSB's centralized functions are applicant testing services and maintenance of lists of eligible candidates. The process of hiring at the agency level has become cumbersome, and in some ways ineffective, due to these State-level administrative processes. For example, eligibility scores for applicants depend partly on actual test results and partly on priority "points." Since eligible employees are placed in one of three bands -- qualified, better qualified, or best qualified -- the addition of points can and does move candidates from what would have been a "qualified" status based on test scores alone to "best qualified" with the addition of points. Another source of problems with the eligibility lists is that there is no current method of culling it of non-responsive candidates. **OPSB should be prepared to discuss plans for providing a process more responsive to the agencies' needs.**

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets

Department of Budget and Management

($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2000					
Legislative Appropriation	$52,525	$3,399	$0	$4,489	$60,413
Deficiency Appropriation	946	0	0	0	946
Budget Amendments	(29,160)	1,072	0	135	(27,953)
Reversions and Cancellations	(3,847)	(70)	0	(407)	($4,324)
Actual Expenditures	**$20,464**	**$4,401**	**$0**	**$4,217**	**$29,082**
Fiscal 2001					
Legislative Appropriation	$39,435	$4,272	$0	$4,618	$48,325
Budget Amendments	(11,665)	0	0	0	(11,665)
Working Appropriation	**$27,770**	**$4,272**	**$0**	**$4,618**	**$36,660**

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

Major fiscal 2000 activity includes, but is not limited to the following:

($808,000) GF amendment: for realignment of funds to accommodate reclassifications, transfers, and fund changes to various positions.

($946,179) GF deficiency and amendment: funds were added through a deficiency to cover the cost of the State match of deferred compensation and transferred to the agencies.

$756,000 GF amendment: for realignment of funds to accommodate reclassifications, transfers, and fund changes to various positions, and to cover the cost of renovations at 45 Calvert Street in Annapolis.

$1,072 SF amendment: cost to the Central Collection Agency to support increases in debt referrals and the opening of five Maryland Vehicle Administration satellite offices.

($29,108,000) GF amendment: cost of placing employees on the new State pay plan and the matching cost of deferred compensation.

Major fiscal 2001 activity includes, but is not limited to the following:

($12,558,567) GF amendment: represents the transfer of funds from the OPSB to various agencies of the State. These funds are for annual salary review costs, the partial general salary increase adjustment, and Office of Administrative Hearing costs. The distribution of funds to other agencies may not be fully realized in the working appropriations.

($452,232) GF amendment: represents transfers of monies to the judiciary for the annual salary review costs and the partial general salary increase adjustment.

Object/Fund Difference Report
Department of Budget and Management

Object/Fund	FY00 Actual	FY01 Working Appropriation	FY02 Allowance	FY01 - FY02 Amount Change	Percent Change
Positions					
01 Regular	314.50	350.80	360.80	10.00	2.9%
02 Contractual	44.75	22.05	17.50	(4.55)	(20.6%)
Total Positions	**359.25**	**372.85**	**378.30**	**5.45**	**1.5%**
Objects					
01 Salaries and Wages	$ 20,387,548	$ 26,749,997	$ 30,015,571	$ 3,265,574	12.2%
02 Technical & Spec Fees	681,150	611,977	813,300	201,323	32.9%
03 Communication	1,115,204	1,965,846	1,110,294	(855,552)	(43.5%)
04 Travel	254,345	341,742	374,995	33,253	9.7%
07 Motor Vehicles	36,119	54,940	50,659	(4,281)	(7.8%)
08 Contractual Services	5,513,753	5,984,215	7,551,110	1,566,895	26.2%
09 Supplies & Materials	370,334	453,354	455,693	2,339	0.5%
10 Equip - Replacement	520,822	241,121	287,195	46,074	19.1%
13 Fixed Charges	202,899	256,261	257,080	819	0.3%
Total Objects	**$ 29,082,174**	**$ 36,659,453**	**$ 40,915,897**	**$ 4,256,444**	**11.6%**
Funds					
01 General Fund	$ 20,463,985	$ 27,769,671	$ 31,241,564	$ 3,471,893	12.5%
03 Special Fund	4,401,136	4,272,034	5,159,636	887,602	20.8%
09 Reimbursable Fund	4,217,053	4,617,748	4,514,697	(103,051)	(2.2%)
Total Funds	**$ 29,082,174**	**$ 36,659,453**	**$ 40,915,897**	**$ 4,256,444**	**11.6%**

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
Department of Budget and Management

Unit/Program	FY00 Actual	FY01 Legislative Appropriation	FY01 Working Appropriation	FY00 - FY01 % Change	FY02 Allowance	FY01 - FY02 % Change
01 Office Of The Secretary	$ 10,660,462	$ 10,891,637	$ 10,998,523	3.2%	$ 12,263,361	11.5%
02 Office Of Personnel Services And Benefits	15,502,522	34,392,072	22,603,791	45.8%	24,757,915	9.5%
05 Office Of Budget Analysis	1,738,368	1,779,265	1,788,205	2.9%	2,063,131	15.4%
06 Office Of Capital Budgeting	1,180,822	1,261,629	1,268,934	7.5%	1,831,490	44.3%
Total Expenditures	**$ 29,082,174**	**$ 48,324,603**	**$ 36,659,453**	**26.1%**	**$ 40,915,897**	**11.6%**
General Fund	$ 20,463,985	$ 39,434,821	$ 27,769,671	35.7%	$ 31,241,564	12.5%
Special Fund	4,401,136	4,272,034	4,272,034	(2.9%)	5,159,636	20.8%
Total Appropriations	**$ 24,865,121**	**$ 43,706,855**	**$ 32,041,705**	**28.9%**	**$ 36,401,200**	**13.6%**
Reimbursable Fund	$ 4,217,053	$ 4,617,748	$ 4,617,748	9.5%	$ 4,514,697	(2.2%)
Total Funds	**$ 29,082,174**	**$ 48,324,603**	**$ 36,659,453**	**26.1%**	**$ 40,915,897**	**11.6%**

Appendix 4

Fiscal 2002 Annual Salary Review
Statewide Nursing and Related Classifications
Proposed Salary Adjustments

Classification Title	Filled Positions	Total Positions	Vacancy Rate	Current Grade	Proposed Grade
Assistant Director of Nursing	17	17	0.0%	18	20
Assistant Director of Nursing - Perkins	2	2	0.0%	19	21
Clinical Nurse Specialist	24	28	14.3%	17	19
Clinical Nurse Specialist - Perkins	-	2	100.0%	18	20
Community Health Assistant Director of Nursing	6	7	14.3%	18	20
Community Health Director of Nursing I	2	3	33.3%	18	20
Community Health Director of Nursing II	12	12	0.0%	19	21
Community Health Nurse I	3	3	0.0%	13	15
Community Health Nurse II	357	422	15.4%	14	16
Community Health Nurse Program Manager	30	33	9.1%	17	19
Community Health Nurse Program Supervisor	58	65	10.8%	16	18
Community Health Nurse Psychiatric	3	7	57.1%	15	17
Community Health Nurse Supervisor	69	79	12.7%	15	17
Director of Nursing Psychiatric	16	17	5.9%	20	22
Director of Nursing - Perkins	-	-	n/a	21	23
Health Facility Surveyor Nurse I	29	48	39.6%	15	17
Health Facility Surveyor Nurse II	44	47	6.4%	16	18
Home Health Nurse	4	6	33.3%	15	17
Home Health Nurse Supervisor	2	2	0.0%	16	18
Licensed Practical Nurse I	13	16	18.8%	9	11
Licensed Practical Nurse II	187	222	15.8%	10	12
Licensed Practical Nurse III	149	167	10.8%	11	13
Medical Services Reviewing Nurse II	10	12	16.7%	15	17
Medical Services Reviewing Nurse Supervisor	4	5	20.0%	16	18
Nurse Practitioner/Midwife I	1	1	0.0%	16	18
Nurse Practitioner/Midwife II	19	22	13.6%	17	19
Nurse Practitioner/Midwife Supervisor	5	5	0.0%	18	20
Nursing Education Supervisor	5	5	0.0%	18	20
Nursing Education Supervisor - Perkins	1	1	0.0%	19	21
Nursing Instructor	15	20	25.0%	17	19
Nursing Instructor - Perkins	1	2	50.0%	18	20
Nursing Program Consultant/Administrator I	38	50	24.0%	17	19
Nursing Program Consultant/Administrator II	12	16	25.0%	18	20
Nursing Program Consultant/Administrator III	9	11	18.2%	19	21
Nursing Program Consultant/Administrator IV	2	3	33.3%	20	22
Registered Nurse	234	343	31.8%	14	16
Registered Nurse - Perkins	17	27	37.0%	15	17
Registered Nurse Charge	286	318	10.1%	15	17
Registered Nurse Charge - Perkins	30	32	6.3%	16	18
Registered Nurse Manager	60	66	9.1%	17	19

FA.00 - Department of Budget and Management

Classification Title	Filled Positions	Total Positions	Vacancy Rate	Current Grade	Proposed Grade
Registered Nurse Manager - Perkins	3	3	0.0%	18	20
Registered Nurse Quality Improvement	9	9	0.0%	17	19
Registered Nurse Supervisor	119	135	11.9%	16	18
Registered Nurse Supervisor - Perkins	14	17	17.6%	17	19
Respiratory Care Nurse	10	10	0.0%	15	17
Security Attendant LPN	33	37	10.8%	13	15
Total	**1,964**	**2,355**	**16.6%**		

Source: Department of Budget and Management

Appendix 5 (a)

Fiscal 2002 Annual Salary Review
Institutional Educator Pay Plan Schedule Adjustments

Classification	Number of Positions
Teacher Provisional	26
Teacher SPC	18
Teacher APC	93
Teacher APC + 30 Credits	24
Teacher APC + 60 Credits	6
Teacher Lead	19
Teacher Supervisor	9
Librarian Provisional	-
Librarian SPC	3
Librarian APC	10
Librarian APC + 30 Credits	2
Librarian APC + 60 Credits	-
Principal	14
Coordinator Correctional Education - PSCS	1
Supervisor Psychological Services - MSDE	-
Superintendent of Education - DJJ	1
Pupil Personnel Worker - DJJ	1
Teacher Provisional - DHMH	2
Teacher SPC - DHMH	1
Teacher APC - DHMH	6
Teacher APC + 30 Credits - DHMH	1
Teacher APC + 60 Credits - DHMH	1
Teacher Lead - DHMH	4
Teacher Supervisor - DHMH	1
Librarian Provisional - DHMH	-
Librarian SPC - DHMH	-
Librarian APC - DHMH	2
Librarian APC + 30 Credits - DHMH	-
Librarian APC + 60 Credits - DHMH	-
Principal - DHMH	1
Assistant Principal	-
Director of Correctional Education - MSDE	1
Coordinator Correctional Education - MSDE	4
Coordinator Education Specialist - MSDE	-
Total Positions	**251**

Source: Department of Budget and Management

Appendix 5 (b)

Proposed IEPP Teachers and Librarians Schedule
July 1, 2001

Salary Step	Provisional	SPC/ Bachelors	APC/ Masters	APC + 30 Credits	APC + 60 Credits
1	$ 34,844	$ 36,703	$ 39,146	$ 41,239	$ 42,457
2	36,034	38,153	40,546	42,439	43,657
3	37,184	39,603	41,946	43,639	44,857
4	38,334	41,053	43,364	44,839	46,067
5		42,353	44,746	46,039	47,257
6		43,653	46,146	47,614	48,807
7		44,953	47,546	49,189	50,357
8		46,253	48,946	50,764	51,907
9		47,553	50,346	52,339	53,457
10		48,103	51,746	53,914	55,007
11			53,146	55,814	57,007
12			54,546	57,614	58,807
13			55,946	59,264	60,607
14			55,946	59,264	60,257
15			55,946	59,264	60,257
16			57,246	60,914	61,907
17			57,246	60,914	61,907
18			57,246	60,914	61,907
19			58,646	62,564	63,557
20			58,646	62,564	63,557
21			58,646	62,564	63,557
22			60,046	64,214	65,207
23			60,046	64,214	65,207
24			60,046	64,214	65,207
25			60,046	64,214	65,207
26			61,446	65,864	66,857
27			61,446	65,864	66,857
28			61,446	65,864	66,857
29			61,446	65,864	66,857
30			63,096	67,514	68,507

SPC = Standard Professional Certification
APC = Advanced Professional Certification

Source: Department of Budget and Management

Appendix 5 (c)

Proposed IEPP Supervisors and Administrators Schedule
July 1, 2001

Classification	Salary Less Than 5 Years	Salary More Than 5 Years
Director of Correctional Education - MSDE	$ 80,357	$ 82,499
Superintendent of Education - DJJ	78,214	80,357
Coordinator of Correctional Education Services - PSCS	78,214	80,357
Field Coordinator of Correctional Education - MSDE	78,214	80,357
Coordinator of Correctional Education Services - MSDE	73,928	76,071
Supervisor of Correctional Education, Psychology Services - MSDE	66,964	68,571
Correctional Education Specialist - MSDE	66,964	68,571
Pupil Personnel Worker - DJJ	64,285	66,964
Principal	73,928	76,071
Assistant Principal	66,964	68,571

Source: Department of Budget and Management

Appendix 6

Pay Plan Amendments
Approved During Calendar 2000

Classification Title	Agency	Number of Positions	Former Grade	Adjusted Grade	Effective Date
Airport Firefighter Trainee, Military	Military	1	12	13	7/1/00
Airport Firefighter I, Military	Military	1	13	14	7/1/00
Airport Firefighter II, Military	Military	20	14	15	7/1/00
Airport Firefighter Lieutenant, Military	Military	2	15	16	7/1/00
Assistant to the Commissioner II	Workers' Compensation	7	13	14	1/1/01
Commitments Records Specialist I	PSCS	36	8	9	1/1/01
Commitments Records Specialist II	PSCS	38	9	10	1/1/01
Commitments Records Specialist Lead	PSCS	23	10	11	1/1/01
Commitments Records Specialist Supervisor	PSCS	14	11	12	1/1/01
Commitments Records Specialist Manager	PSCS	7	12	13	1/1/01
Correctional Dietary Manager, Dietetic	PSCS	6	16	18	7/1/99
Correctional Dietary Regional Manager, Dietetic	PSCS	6	17	19	7/1/99
Document Examiner Expert	State Police	1	15	18	7/1/00
Fire Protection Engineer II	State Police	1	17	18	7/1/00
Fire Protection Engineer Registered	State Police	3	19	20	7/1/00
Chief Fire Protection Engineer	State Police	1	21	22	7/1/00
Hearing Officer I, Institutional Adjustment	PSCS	0	14	15	7/1/99
Hearing Officer II, Institutional Adjustment	PSCS	13	15	16	7/1/99
Hearing Officer Supervisor, Institutional Adjustment	PSCS	1	16	17	7/1/99
Hearing Reporter I	Workers' Compensation	1	11	12	1/1/01
Hearing Reporter II	Workers' Compensation	12	14	15	1/1/01
Hearing Reporter Lead	Workers' Compensation	0	15	16	1/1/01
Hearing Reporter Supervisor	Workers' Compensation	1	16	17	1/1/01
Pre-Release Facility Administrator	PSCS	13	18	20	1/1/00
Revenue Field Auditor I	Comptroller	17	11	12	1/1/01
Revenue Field Auditor II	Comptroller	19	13	14	1/1/01
Revenue Field Auditor Senior	Comptroller	19	14	15	1/1/01
Revenue Field Auditor Supervisor	Comptroller	9	15	16	1/1/01
Senior Citizen Aide	Aging	280*	$5.15-6.45 Hourly	$5.15-8.15 Hourly	7/1/99
Total, excluding the Senior Citizen Aides		**272**			

* All employees did not receive an adjustment. The maximum of the range was increased to be consistent with federal regulations.

Source: Department of Budget and Management

Appendix 7

Department of Budget and Management's Performance Measures for Selected Key Performance Areas for Maryland State Government

- Percent change in Maryland Non-Farm Employment
- Amount Maryland's unemployment rate exceeds US rate (percentage points)
- Percent of Maryland babies born at low and very low birth weight
- Percent of Maryland two-year old children fully immunized
- Death rate among Maryland infants under 1 year of age (per 1,000 live births)
- Percent of Maryland children and youth (0-17) living in poverty
- Part I crime rate (per 100,000 population)
- Rate of arrests of youth for violent crimes (ages 10 to 17per 100,000 youth)
- Percent of Maryland 3rd students performing at satisfactory or better on the MSPAP Reading Assessment
- Percent of Maryland 3rd Grade students performing at satisfactory or better on the MSPAP Mathematics Assessment
- Percent of students in grades 9-12 dropping out of school
- Percent of students who, upon entering a Maryland two-year or four-year college, are required to take remedial courses in: math; english; reading
- Percent of USM 1996 grads rating education received for work adequate or better
- Total ridership bus and rail transit (millions)
- Average customer visit time in minutes at MVA branch offices
- Pavements rated fair to very good
- Maryland structurally deficient bridge % (National rate equals 7%)
- Rate of traffic fatalities (per 100 million vehicle miles traveled)
- Blue Crab dredge survey index
- Oyster Harvest in bushels (thousands)
- Total acres under Agricultural Land Preservation easement or in preservation districts (thousands)
- Job retention rate of Temporary Cash Assistance recipients
- Percent of current child support collected
- Percentage of Maryland population living in areas not meeting air quality standards
- Nitrogen load reduced from State waters since 1985 (millions of pounds)
- Phosphorus load reduced from State waters since 1985 (millions of pounds)

Appendix 8 (a)

State Employee Health and Supplemental Benefit Contracts - Calendar 2001

Service Plans	Current Contract Term	Vendor	CY 2000 Expenditures	CY 2001 Value of Contract Award	Expiration Date (Not including Renewal Options)
Preferred Provider Option (PPO)	01/01/00 - 12/31/02 3 years with 2 one-year renewal options	CareFirst of MD (formerly BCBSMD)	$138.1	$550 (3-year contract)[1] $183.3 average annual cost	12/31/02
		MAMSI - MLH Eagle	$20.9	$554 (3-year contract)[1] $184.7 average annual cost	12/31/02
Point-of-Service (POS)	01/01/00 - 12/31/02 3 years with 2 one-year renewal options	Carefirst	$39.8	$280 (3-year contract)[1] $93.3 average annual cost	12/31/02
		MAMSI - MDIPA Preferred	$58.6	$298 (3-year contract)[1] $99.3 average annual cost	12/31/02
		AETNA (acquired NYLCare)	$8.2	$343 (3-year contract)[1] $114.3 average annual cost	12/31/02
Health Maintenance Organization (HMO)	01/01/00 - 12/31/02 3 years with 2 one-year renewal options	Carefirst	$35.2	$286 (3-year contract)[1] $95.3 average annual cost	12/31/02
		MAMSI - Optimum Choice	$13.4	$259 (3-year contract)[1] $86.3 average annual cost	12/31/02
		Kaiser Permanente	$14.2	$254 (3-year contract)[1] $84.7 average annual cost	12/31/02
		Prudential	$10.9	Plan purchased by AETNA Contract Terminated	12/31/02
		George Washington	$4.4	$338 (3-year contract)[1] $112.7 average annual cost	12/31/02

State Employee Health and Supplemental Benefit Contracts -- Calendar 2001 - Continued

Service Plans	Current Contract Term	Vendor	CY 2000 Expenditures	CY 2001 Value of Contract Award	Expiration Date (Not including Renewal Options)
Mental Health / Substance Abuse	01/01/01 - 12/31/03 3 years with 3 one-year renewal options	American Psych Systems, Inc.	$7.1 contract was under Magellan Health Services in CY 2000	$34 (3-year contract) $11.3 average annual cost	12/31/03
Prescription Drug	01/01/01 - 12/31/03 3 years with 3 one-year renewal options	AdvancePCS (formerly PCS Health Systems)	$155.1	$790 (3-year contract) $263.3 average annual cost	12/31/03
Dental Services (Point-of-Service Option)	01/01/00 - 12/31/02 3 years with 2 one-year renewal options	United Concordia	$14.0 DPOS & DHMO combined	$79 (3-year contract)[1] $26.3 average annual cost	12/31/02
Dental Services (DHMO Option)	01/01/00 - 12/31/02 3 years with 2 one-year renewal options	United Concordia	See DPOS	$48 (3-year contract)[1] $16 average annual cost	12/31/02
		Dental Benefits Provider	$4.9	$53 (3-year contract)[1] $17.7 average annual cost	12/31/02
Term Life Insurance	01/01/95 - 12/31/98 4 years with 1 four-year renewal option	Met Life	$9.1	$33 (4-year contract) $8.3 average annual cost	12/31/02
Accidental Death & Dismemberment	01/01/95 - 12/31/98 4 years with 1 four-year renewal option	American Home Assurance	$1.7	$6 (4-year contract) $1.5 average annual cost	12/31/02
Long-Term Care	01/01/00 - 12/31/03 4 years with 2 one-year renewal options	Unum Life Insurance Company of America	$0.5	n/a	12/31/03
Flexible Spending Accounts	07/15/99 - 12/31/02 with 2 one-year renewal options	ERISA Administrative Services, Inc.	$0.3	$1 (3 1/2-year contract) Administrative fees only	12/31/02

[1] The costs shown for calendar 2001 are estimated costs for a three-year total of fixed administrative fees, fixed capitation payments, or projected fee-for-service claims, based on an enrollment assumption model of the number of current enrollees in the particular plan. Each vendor was asked to provide costs for "all"enrollees listed in the model. Actual premium amounts to be received by any vendor will be a function of the number of participant employees/retirees and dependents who elect coverage with that contract. For instance, each vendor may only receive a portion of the current enrollees in any given plan. For multi-year contracts, a average annual cost figure is included. Information updated February 13, 2001.

Source: Department of Budget and Management

Standard Salary Schedule
November 15, 2000

Step	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Grade																	
1	13,829	14,330	14,850	15,391	15,954	16,539	16,843	17,153	17,469	17,793	18,121	18,457	18,801	19,150	19,507	19,870	20,241
2	14,704	15,240	15,796	16,375	16,976	17,602	17,928	18,261	18,599	18,944	19,297	19,656	20,023	20,397	20,778	21,168	21,564
3	15,641	16,214	16,810	17,429	18,073	18,743	19,091	19,446	19,809	20,179	20,555	20,940	21,332	21,732	22,141	22,557	22,981
4	16,643	17,256	17,893	18,555	19,245	19,961	20,335	20,714	21,102	21,497	21,901	22,313	22,732	23,160	23,597	24,042	24,497
5	17,715	18,371	19,052	19,762	20,499	21,266	21,665	22,071	22,486	22,910	23,341	23,781	24,230	24,689	25,156	25,632	26,118
6	18,862	19,564	20,293	21,052	21,840	22,661	23,088	23,523	23,967	24,420	24,882	25,354	25,834	26,324	26,824	27,334	27,854
7	20,090	20,841	21,622	22,433	23,278	24,156	24,612	25,078	25,553	26,038	26,532	27,036	27,550	28,074	28,610	29,155	29,712
8	21,403	22,207	23,042	23,910	24,813	25,753	26,241	26,740	27,247	27,766	28,295	28,834	29,385	29,945	30,518	31,102	31,698
9	22,809	23,669	24,562	25,492	26,458	27,464	27,986	28,519	29,063	29,618	30,183	30,761	31,349	31,950	32,563	33,187	33,824
10	24,313	25,233	26,189	27,183	28,218	29,293	29,853	30,423	31,005	31,599	32,204	32,822	33,451	34,094	34,749	35,418	36,099
11	25,921	26,905	27,929	28,993	30,099	31,250	31,849	32,460	33,082	33,717	34,365	35,026	35,700	36,387	37,088	37,803	38,534
12	27,643	28,696	29,790	30,929	32,114	33,345	33,985	34,638	35,304	35,983	36,677	37,384	38,105	38,840	39,591	40,357	41,137
13	29,484	30,611	31,783	33,001	34,267	35,585	36,270	36,969	37,683	38,410	39,151	39,907	40,679	41,466	42,269	43,088	43,923
14	31,456	32,662	33,916	35,219	36,574	37,984	38,718	39,465	40,229	41,007	41,800	42,609	43,435	44,277	45,136	46,012	46,907
15	33,565	34,855	36,197	39,591	39,042	40,551	41,335	42,135	42,951	43,783	44,633	45,499	46,382	47,284	48,202	49,140	50,096
16	35,822	37,202	38,638	40,130	41,683	43,297	44,136	44,992	45,866	46,756	47,665	48,591	49,537	50,501	51,485	52,487	53,511
17	38,236	39,713	41,248	42,845	44,506	46,234	47,131	48,047	48,981	49,935	50,907	51,899	52,910	53,942	54,994	56,067	57,162
18	40,820	42,400	44,043	45,752	47,530	49,378	50,339	51,318	52,319	53,338	54,379	55,440	56,522	57,626	58,752	59,900	61,071
19	43,585	45,276	47,033	48,862	50,763	52,741	53,768	54,818	55,888	56,979	58,092	59,227	60,385	61,566	62,771	64,000	65,253
20	46,543	48,352	50,232	52,189	54,223	56,339	57,440	58,562	59,707	60,874	62,065	63,279	64,519	65,783	67,072	68,387	69,728
21	49,708	51,644	53,657	55,750	57,926	60,190	61,368	62,569	63,794	65,043	66,317	67,617	68,943	70,295	71,675	73,081	74,516
22	53,095	55,166	57,319	59,559	61,889	64,311	65,570	66,856	68,166	69,503	70,866	72,257	73,675	75,123	76,599	78,103	79,640
23	56,719	58,935	61,239	63,636	66,129	68,721	70,068	71,443	72,845	74,275	75,734	77,223	78,740	80,290	81,868	83,478	85,122
24	60,596	62,968	65,433	67,998	70,664	73,438	74,879	76,352	77,852	79,382	80,943	82,535	84,159	85,816	87,506	89,229	90,988
25	64,745	67,283	69,921	72,664	75,518	78,486	80,028	81,603	83,209	84,846	86,516	88,220	89,957	91,731	93,538	95,382	97,263
26	69,184	71,900	74,721	77,658	80,712	83,887	85,537	87,222	88,940	90,692	92,479	94,301	96,161	98,059	99,993	101,966	103,980

Source: Department of Budget and Management

Standard Salary Schedule
January 1, 2002

Step	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Grade																	
1	14,382	14,903	15,444	16,007	16,592	17,201	17,517	17,839	18,168	18,505	18,846	19,195	19,553	19,916	20,287	20,665	21,051
2	15,292	15,850	16,428	17,030	17,655	18,306	18,645	18,991	19,343	19,702	20,069	20,442	20,824	21,213	21,609	22,015	22,427
3	16,267	16,863	17,482	18,126	18,796	19,493	19,855	20,224	20,601	20,986	21,377	21,778	22,185	22,601	23,027	23,459	23,900
4	17,309	17,946	18,609	19,297	20,015	20,759	21,148	21,543	21,946	22,357	22,777	23,206	23,641	24,086	24,541	25,004	25,477
5	18,424	19,106	19,814	20,552	21,319	22,117	22,532	22,954	23,385	23,826	24,275	24,732	25,199	25,677	26,162	26,657	27,163
6	19,616	20,347	21,105	21,894	22,714	23,567	24,012	24,464	24,926	25,397	25,877	26,368	26,867	27,377	27,897	28,427	28,968
7	20,894	21,675	22,487	23,330	24,209	25,122	25,596	26,081	26,575	27,080	27,593	28,117	28,652	29,197	29,754	30,321	30,900
8	22,259	23,095	23,964	24,866	25,806	26,783	27,291	27,810	28,337	28,877	29,427	29,987	30,560	31,143	31,739	32,346	32,966
9	23,721	24,616	25,544	26,512	27,516	28,563	29,105	29,660	30,226	30,803	31,390	31,991	32,603	33,228	33,866	34,514	35,177
10	25,286	26,242	27,237	28,270	29,347	30,465	31,047	31,640	32,245	32,863	33,492	34,135	34,789	35,458	36,139	36,835	37,543
11	26,958	27,981	29,046	30,153	31,303	32,500	33,123	33,758	34,405	35,066	35,740	36,427	37,128	37,842	38,572	39,315	40,075
12	28,749	29,844	30,982	32,166	33,399	34,679	35,344	36,024	36,716	37,422	38,144	38,879	39,629	40,394	41,175	41,971	42,782
13	30,663	31,835	33,054	34,321	35,638	37,008	37,721	38,448	39,190	39,946	40,717	41,503	42,306	43,125	43,960	44,812	45,680
14	32,714	33,968	35,273	36,628	38,037	39,503	40,267	41,044	41,838	42,647	43,472	44,313	45,172	46,048	46,941	47,852	48,783
15	34,908	36,249	37,645	41,175	40,604	42,173	42,988	43,820	44,669	45,534	46,418	47,319	48,237	49,175	50,130	51,106	52,100
16	37,255	38,690	40,184	41,735	43,350	45,029	45,901	46,792	47,701	48,626	49,572	50,535	51,518	52,521	53,544	54,586	55,651
17	39,765	41,302	42,898	44,559	46,286	48,083	49,016	49,969	50,940	51,932	52,943	53,975	55,026	56,100	57,194	58,310	59,448
18	42,453	44,096	45,805	47,582	49,431	51,353	52,353	53,371	54,412	55,472	56,554	57,658	58,783	59,931	61,102	62,296	63,514
19	45,328	47,087	48,914	50,816	52,794	54,851	55,919	57,011	58,124	59,258	60,416	61,596	62,800	64,029	65,282	66,560	67,863
20	48,405	50,286	52,241	54,277	56,392	58,593	59,738	60,904	62,095	63,309	64,548	65,810	67,100	68,414	69,755	71,122	72,517
21	51,696	53,710	55,803	57,980	60,243	62,598	63,823	65,072	66,346	67,645	68,970	70,322	71,701	73,107	74,542	76,004	77,497
22	55,219	57,373	59,612	61,941	64,365	66,883	68,193	69,530	70,893	72,283	73,701	75,147	76,622	78,128	79,663	81,227	82,826
23	58,988	61,292	63,689	66,181	68,774	71,470	72,871	74,301	75,759	77,246	78,763	80,312	81,890	83,502	85,143	86,817	88,527
24	63,020	65,487	68,050	70,718	73,491	76,376	77,874	79,406	80,966	82,557	84,181	85,836	87,525	89,249	91,006	92,798	94,628
25	67,335	69,974	72,718	75,571	78,539	81,625	83,229	84,867	86,537	88,240	89,977	91,749	93,555	95,400	97,280	99,197	101,154
26	71,951	74,776	77,710	80,764	83,940	87,242	88,958	90,711	92,498	94,320	96,178	98,073	100,007	101,981	103,993	106,045	108,139

Source: Department of Legislative Services