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General Assembly

Operating Budget Data

(\$ in Thousands)

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$64,184	\$69,128	\$71,444	\$2,316	3.4%
Special Fund	<u>0</u>	<u>100</u>	<u>100</u>	<u>0</u>	
Total Funds	\$64,184	\$69,228	\$71,544	\$2,316	3.3%

- The budget for the Maryland General Assembly increases by \$2.3 million, or 3.3% in fiscal 2008. Personnel expense accounts for \$2.0 million, or 88% of the change, including increments, an increase in the starting salary for entry level auditors and policy analysts, employee retirement, and health care costs. Personnel costs are offset by one-time funding reductions tied to the draw down of a statewide health insurance surplus. Absent these one-time adjustments, the underlying budget grows by \$4.8 million, or 7.2%.
- Operating cost increases are provided to replace computer servers, conduct additional management studies, and provide for routine operating cost growth.
- Special funds were added to the fiscal 2007 budget by amendment, and are level funded in fiscal 2008, to reflect the expenses associated with staffing a Blue Ribbon Commission to Study Retiree Health Care Funding Options. The commission was created by Chapter 433 of 2006. Funding is provided from the Department of Budget and Management.

Personnel Data

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>
Regular Positions	744.00	747.00	747.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	744.00	747.00	747.00	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	11.50	1.54%
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Note: Numbers may not sum to total due to rounding.

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- The fiscal 2007 personnel complement for the Department of Legislative Services (DLS) was increased by three positions for Information Technology technical support, an additional Attorney General, and a manager for the newly created Inventory and Risk Management Unit.
- There are no new positions added to the budget for fiscal 2008. Turnover expectancy is budgeted at 1.54%, which is a higher level than budgeted in fiscal 2007.

Analysis in Brief

Recommended Actions

1. Concur with the budget as approved by the Legislative Policy Committee.

Updates

DLS Receives Funding for a Blue Ribbon Commission to Study Retiree Health Care Funding Options: Chapter 433 of 2006 established a commission to review issues pertaining to retiree health care funding, to be staffed by DLS. Funding comes from the Department of Budget and Management. There are a number of issues that the commission is required to study, supported in part by a requirement for two annual actuarial analyses. A final report is due by December 31, 2008. To date, the Maryland General Assembly budget reflects \$100,000 in special funds in fiscal 2007 and a like amount in fiscal 2008 for this purpose.

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Operating Budget Analysis

Program Description

The Maryland General Assembly (MGA) is the legislative branch of State government. Separate budgets are provided for the Senate, comprised of 47 members; the House of Delegates, with 141 members; and general expenses shared by both chambers.

The Department of Legislative Services (DLS) furnishes nonpartisan staff support to the legislature. The department has four offices: the Office of the Executive Director (OED); the Office of Legislative Audits (OLA); the Office of Legislative Information Systems (OIS); and the Office of Policy Analysis (OPA).

Proposed Budget

The fiscal 2008 budget for MGA totals \$71.5 million, an increase of \$2.3 million, or 3.3%. Roughly 88% of this increase is related to personnel expense growth, including \$1.4 million for employee increments, \$1.6 million for retirement contribution cost increases due to higher actuarial rates, \$282,000 added to annualize legislative salary increases (General Assembly Compensation Commission recommendations are made on a calendar year basis), \$401,380 added to increase the starting salary of policy analyst and auditor positions, and \$207,200 to annualize the costs of the three new positions created in fiscal 2007. These increases are offset by \$1.6 million in one-time spending decreases associated with the use of surplus funds in the State's health insurance account.

Other changes, as shown in **Exhibit 1**, provide for a net increase of \$283,600 in operating expense growth. Increases are provided for replacement of obsolete computer servers, an increase for management studies (including funds for actuarial services and study of potential Information Technology (IT) enhancements such as to the legislative bill voting system), and maintenance contracts for newly purchased equipment. Spending growth is tempered by reductions in contractual payroll based in part on revisions in line with actual spending and reduction of contractual staff support of the Fraud Hotline.

Personnel

There are no new positions in the fiscal 2008 budget; however, three new positions were created in fiscal 2007. This included one new IT technical support position, an additional Attorney General position to handle increased workload, and a manager position to oversee a newly created Inventory and Risk Management Unit.

Exhibit 1
Proposed Budget
General Assembly
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Total</u>
2007 Working Appropriation	\$69,128	\$100	\$69,228
2008 Proposed Budget	<u>71,444</u>	<u>100</u>	<u>71,544</u>
Amount Change	\$2,316	\$0	\$2,316
Percent Change	3.4%		3.3%

Where it Goes:

Personnel Expenses

Increments and other compensation	\$1,429
Employee retirement.....	1,196
Increase in entry level policy analyst and auditor salary.....	401
Annualization of legislative salary increase per General Assembly Compensation Commission.....	282
Annualization of three new positions created during fiscal 2007	207
Social Security.....	176
Employee and retiree health insurance.....	-1,565
Higher employee turnover expectancy	-91
Other fringe benefit adjustments	-3

Other Changes

Replacement computer servers	165
Management studies (Information Technology bill voting system, actuarial expenses)	160
Equipment maintenance contracts.....	52
Reduced contractual payroll and fringes	-76
Other changes	-17

Total	\$2,316
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Note: Numbers may not sum to total due to rounding.

Recommended Actions

1. Concur with the budget as approved by the Legislative Policy Committee.

Updates

1. DLS Receives Funding for a Blue Ribbon Commission to Study Retiree Health Care Funding Options

Chapter 433 of 2006 established a blue ribbon commission to study options for funding health care for State retirees, staffed by DLS. The commission must issue a final report to the Governor and the legislature by December 31, 2008. The legislation requires the commission to:

- review the State’s legal obligation to provide retiree health benefits;
- study the factors contributing to the rising cost of retiree health benefits;
- review current benefit levels for State employees and retirees;
- review the eligibility requirements for retiree health benefits;
- review alternatives for providing health benefits to State retirees; and
- recommend a multiyear plan to fully fund State obligations for retiree health benefits.

As part of the commission’s mission, the legislation requires it to contract with different actuarial firms to conduct up to two annual actuarial valuations of the State’s liability with respect to funding retiree health insurance. The fiscal note for the bill estimated the total cost for the actuarial valuations at approximately \$750,000 with funding to come from the Department of Budget and Management (DBM). Based on cash flow needs to date, the appropriation for the MGA was increased by \$100,000 in special funds for this purpose in fiscal 2007. Another \$100,000 in special funds was included in the fiscal 2008 budget. Additional budget amendments will be processed in fiscal 2008 as expenses are incurred.

Current and Prior Year Budgets

Current and Prior Year Budgets General Assembly (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$63,957	\$0	\$0	\$0	\$63,957
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	1,327	0	0	0	1,327
Reversions and Cancellations	-1,100	0	0	0	-1,100
Actual Expenditures	\$64,184	\$0	\$0	\$0	\$64,184
Fiscal 2007					
Legislative Appropriation	\$68,664	\$0	\$0	\$0	\$68,664
Budget Amendments	464	100	0	0	564
Working Appropriation	\$69,128	\$100	\$0	\$0	\$69,228

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

Fiscal 2006

The fiscal 2006 budget experienced a net increase of \$227,288 in general funds, which consisted of an increase of \$1.3 million in budget amendment transfers offset by a reversion of \$1.1 million. There were two budget amendments that were processed by DBM, including one for \$518,555 which transferred the MGA share of the cost-of-living adjustment that had been budgeted

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for all agencies within the DBM budget. A second amendment transferred \$808,733 to the MGA which represented a cost reallocation of health insurance funding across the State. General fund reversions totaled \$1.1 million, representing unspent funds across all programs.

Fiscal 2007

The appropriation for MGA increased by \$463,828 in fiscal 2007 to reflect the cost-of-living adjustment that had been budgeted in DBM and subsequently transferred to each agency by budget amendment. Another \$100,000 in special funds was added per Chapter 433 of 2006 which requires DLS to staff a commission to study retiree health care funding options. The funds are to be used toward the cost of annual actuarial valuations.

**Object/Fund Difference Report
General Assembly**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	744.00	747.00	747.00	0	0%
Total Positions	744.00	747.00	747.00	0	0%
Objects					
01 Salaries and Wages	\$ 49,904,164	\$ 54,184,228	\$ 56,216,533	\$ 2,032,305	3.8%
02 Technical and Special Fees	1,298,246	1,335,100	1,259,400	-75,700	-5.7%
03 Communication	584,062	649,300	663,200	13,900	2.1%
04 Travel	2,634,385	2,615,500	2,659,400	43,900	1.7%
06 Fuel and Utilities	4,256	5,200	5,400	200	3.8%
07 Motor Vehicles	45,155	58,700	66,600	7,900	13.5%
08 Contractual Services	5,058,677	7,329,894	7,547,994	218,100	3.0%
09 Supplies and Materials	1,270,284	1,258,400	1,143,700	-114,700	-9.1%
10 Equipment – Replacement	3,092,730	1,309,300	1,471,600	162,300	12.4%
11 Equipment – Additional	3,950	0	0	0	0.0%
13 Fixed Charges	183,514	367,000	394,700	27,700	7.5%
14 Land and Structures	104,454	115,000	115,000	0	0%
Total Objects	\$ 64,183,877	\$ 69,227,622	\$ 71,543,527	\$ 2,315,905	3.3%
Funds					
01 General Fund	\$ 64,183,877	\$ 69,127,622	\$ 71,443,527	\$ 2,315,905	3.4%
03 Special Fund	0	100,000	100,000	0	0%
Total Funds	\$ 64,183,877	\$ 69,227,622	\$ 71,543,527	\$ 2,315,905	3.3%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
General Assembly**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 Senate	\$ 9,820,860	\$ 10,152,685	\$ 10,379,207	\$ 226,522	2.2%
02 House of Delegates	18,406,359	19,087,777	19,205,065	117,288	0.6%
03 General Legislative Expenses	970,208	966,673	989,468	22,795	2.4%
04 Office of the Executive Director	9,278,561	10,149,557	10,741,125	591,568	5.8%
05 Office of Legislative Audits	9,637,543	10,527,663	11,125,439	597,776	5.7%
06 Office of Legislative Information Systems	3,948,863	4,536,728	4,673,324	136,596	3.0%
07 Office of Policy Analysis	12,121,483	13,806,539	14,429,899	623,360	4.5%
Total Expenditures	\$ 64,183,877	\$ 69,227,622	\$ 71,543,527	\$ 2,315,905	3.3%
General Fund	\$ 64,183,877	\$ 69,127,622	\$ 71,443,527	\$ 2,315,905	3.4%
Special Fund	0	100,000	100,000	0	0%
Total Appropriations	\$ 64,183,877	\$ 69,227,622	\$ 71,543,527	\$ 2,315,905	3.3%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

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Appendix 3