SB 310

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 310 (Senator Amoss) (Chairman, Joint Committee on Pensions)
Budget and Taxation

Pensions - Expense Fund - Administrative and Operational Expenses

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This bill increases, for fiscal 1998, the additional amount that may be budgeted for administration and operating expenses of the Maryland State Retirement and Pension System (MSRPS) from 0.25% of the payroll of the members to 0.30%, for the purposes of a computer system upgrade. Any of the additional funds authorized by this bill that are not spent in fiscal 1998 may be expended in fiscal 1999 or 2000. The bill takes effect July 1, 1997 and sunsets June 30, 2000.

Fiscal Summary

State Effect: Net additional special fund expenditure increase of $4.5 million over the life of the project, (approximately three years), as discussed below.

Local Effect: None.

Small Business Effect: None. This bill does not directly affect small businesses.

Fiscal Analysis

State Expenditures: The State Retirement Agency currently has spending authority of $15.2 million for an upgrade of its data processing systems. This spending authority is based on an additional 25 basis points (0.25%) of the payroll of the members of MSRPS for fiscal 1996. This is in addition to the standard 20 basis points (0.2%) of MSRPS funds that the Retirement Agency may use to administer the system. What the agency did not spend in fiscal 1996 was authorized to roll over to fiscal 1997 and 1998, as illustrated below. This spending authority will expire at the end of fiscal 1998. Because its initial procurement process was canceled, the agency will be unable to complete the contract prior to the expiration of the sunset at the end of fiscal 1998. If the spending authority were to sunset, the funds would revert to the MSRPS and would not be available for purposes other than paying retirement benefits and administering the MSRPS.

The Retirement Agency is seeking an increase to 30 basis points (0.3%) of payroll for fiscal 1998 to determine the additional amount that may be spent on the computer upgrade. This will result in spending authority of $19.7 million for the project. This spending authority may be used during fiscal 1998 through 2000 and sunsets at the end of fiscal 2000, as illustrated below. These 30 basis points are in addition to the standard 20 basis points that the agency may use to administer the MSRPS. The additional expenditures as a result of the proposed legislation are also illustrated below.

Fiscal Year	Current Budget Authority	Proposed Budget Authority	Difference
1996	$5,301,000		($5,301,000)
1997	$4,695,700		($4,695,700)
1998	$5,201,500	$5,201,500	$0
1999		$7,500,000 (est.)	$7,500,000
2000		$7,014,400 (est.)	$7,014,400
Total	**$15,198,200**	**$19,715,900**	**$4,517,700**

Thus, under the proposal the Retirement Agency would spend an additional $4.5 million in special funds versus current law over the life of the project. Because of the relatively small size of these administrative costs relative to the MSRPS's fund of $21 billion, there is likely to be only a negligible effect on employer contribution rates. Finally, the agency may be able to reap administrative efficiencies through upgrading the computer system and eliminating certain procedures that are currently done manually.

Information Source(s): State Retirement Agency, Department of Fiscal Services

Fiscal Note History: First Reader - February 3, 1997
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