

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1121 (Delegate C. Davis)
 Ways and Means

Referred to Finance

Racing Employees - Additional Employees - Compensation and Benefits

This amended bill makes the State responsible for most of the personnel costs of certain Maryland Racing Commission employees. Under current law, the commission -- in addition to its administrative staff of State employees -- employs additional employees or agents, including auditors, experts, guards, inspectors, breathalyzer operators, scientists, secretaries, specimen collectors, veterinarians, and others whom the commission considers to be essential at or in connection with a race meeting in the best interests of racing. The personnel costs of these additional employees are currently paid by the race track via reimbursable special funds. Under the bill, the State would pay all the personnel costs except the pension contribution for these additional employees. The amended bill also guarantees that the additional employees of the Racing Commission receive at least the same level of compensation, rights, and benefits that they currently receive.

Fiscal Summary

State Effect: General fund expenditures from the Maryland Racing Commission would increase by \$1.3 million in FY 1998, which reflects the October 1, 1997 effective date; future year increases reflect annualization and growth. Special fund revenues and expenditures would decrease by the same amount; future years reflect annualization and growth.

(in \$ millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
SF Revenues	(\$1.3)	(\$1.8)	(\$1.9)	(\$1.9)	(\$2.0)
GF Expenditures	1.3	1.8	1.9	1.9	2.0
SF Expenditures	(1.3)	(1.8)	(1.9)	(1.9)	(2.0)
Net Effect	(\$1.3)	(\$1.8)	(\$1.9)	(\$1.9)	(\$2.0)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

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

Fiscal Analysis

Background: Chapter 556 of the Acts of 1995 placed additional employees of the Maryland Racing Commission in the Employees' Pension System. Eligible additional employees include auditors, experts, guards, inspectors, breathalyzer operators, scientists, commission secretaries, specimen collectors, and veterinarians. For retirement purposes, employees received service credits retroactive to the date of employment or July 1, 1991, whichever was later. For health benefit purposes, they received credit for any service on or after January 1, 1986.

Under current law, the licensee of the race track at which an additional employee of the Racing Commission is employed is responsible for the additional employee's salary and employer contributions for social security, retirement, health insurance, and unemployment insurance. The race tracks make employer contributions directly to the State pension system. Additionally, the race tracks are responsible for the unfunded liability associated with the granting of retirement service credits retroactive to July 1, 1991 to these additional employees. The present value of the unfunded liability, amortized over a 25- year period is \$352,000 as of June 30, 1996, according to the State's actuary.

State Expenditures: Under the amended bill, the personnel costs of these additional employees of the Maryland Racing Commission are to be paid by the State, except the employer contributions to the Employees' Pension System, which is to be paid by the racetracks.

It is estimated that there are 48 full-time additional employees of the Maryland Racing Commission who will be affected by this proposal plus approximately 20 seasonal additional employees. The annual payroll of the full-time employees is estimated to be \$1.3 million plus fringe benefits (excluding pensions), with another \$120,000 in annual payroll for the seasonal employees. The fiscal 1998 estimate of \$1,339,800 in increased general fund expenditures reflects the October 1, 1997 start-up date. Future year expenditures of approximately \$1.8 million reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in operating expenses.

In addition, special fund revenues and expenditures each would decrease by the same amount because the Racing Commission would no longer charge the race tracks for the personnel costs (except employer pension contributions) for these additional employees.

As discussed above, the race tracks are responsible for the unfunded liability associated with the granting of retirement service credits retroactive to July 1, 1991 to these additional employees. The present value of the unfunded liability, amortized over a 25-year period, is

\$352,000 as of June 30, 1996, according to the State's actuary. Under the proposal, the race tracks would remain liable for these unfunded liabilities, as well as ongoing pension costs.

Information Source(s): Department of Budget and Management; Department of Labor, Licensing and Regulation (Racing Commission); State Retirement Agency; Milliman & Robertson, Inc.; Department of Fiscal Services

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