

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 435 (Delegate C. Davis. *et al.*)

Appropriations

State Employees - Compensation - Cost-of-Living Adjustments

This bill requires that pay rates in the Standard Pay Plan and the Executive Pay Plan be amended each fiscal year to reflect a 3% cost-of-living adjustment (COLA).

Fiscal Summary

State Effect: Increase in personnel expenditures of \$48.1 million in FY 1999; future years reflect annualization and compounding 3% annual increases.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
All Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All Expenditures	48.1	130.0	201.7	277.7	358.0
Net Effect	(\$48.1)	(\$130.0)	(\$201.7)	(\$277.7)	(\$358.0)

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: This bill requires that pay rates in the Standard Pay Plan and the Executive Pay Plan be amended each fiscal year to reflect a 3% cost-of-living adjustment (COLA). It is estimated that this provision would apply to approximately 54,200 positions in the Standard Pay Plan and the Executive Pay Plan.

Salary and other personnel expenditures would increase by an estimated \$48.1 million in fiscal 1999, which reflects the bill's October 1, 1998 effective date. Costs associated with the proposal include the 3% compound salary increases for permanent personnel, as well as increased fringe benefit costs for those items (such as unemployment insurance, Social Security, and retirement) that are based as a percentage of salary. In addition, 8,606 contractual personnel, with a total salary base of \$118.2 million, would be eligible for the COLA. The following table sets forth the increased expenditures resulting from the proposed COLA.

(\$ in Millions)	First Year FY 1999	Second Year FY 2000	Third Year FY 2001	Fourth Year FY 2002	Fifth Year FY 2003
Salary Base	\$1,758.2				
Fringe Benefits					
Social Security	\$130.3				
Unemployment	\$4.0				
Retirement	\$125.4				
Contractual Salaries	\$118.2				
Subtotal	\$2,136.1	\$2,232.0	\$2,332.0	\$2,436.5	\$2,546.0
3% of Base	\$64.1	\$67.0	\$70.0	\$73.1	\$76.4
Personnel Total	\$2,200.2	\$2,298.8	\$2,401.9	\$2,509.6	\$2,622.1
Baseline Base	\$2,136.1	\$2,166.9	\$2,198.1	\$2,229.7	\$2,261.8
Difference	\$64.1	\$132.0	\$203.8	\$279.8	\$360.2
Less 25% Start-up Delay	(\$16.0)				
Less 3% Turnover (in out-years)		(\$2.0)	(\$2.1)	(\$2.2)	(\$2.3)
Net Difference	\$48.1	\$130.0	\$201.7	\$277.7	\$358.0

The Standard Pay Plan consists of the Standard Salary Schedule, Physician Salary Schedule, the Maryland State Police Salary Schedule, the Natural Resources Police Salary Schedule, the Park Ranger Salary Schedule, and various flat rates in scale codes 0101-1350. It is assumed that all employees paid under the Standard Salary Plan and the Executive Salary Plan will receive a general increase of \$1,275 phased-in in fiscal 1999 and fiscal 2000, in addition to the proposed COLA. It is further assumed that all employees paid under the Maryland State Police Salary Schedule, the Natural Resources Police Salary Schedule, and the Park Ranger Salary Schedule will receive a 4% increase, in addition to the general increase and the proposed COLA.

Information Source(s): Department of Budget and Management, Comptroller's Office
(Central Payroll Bureau), Department of Legislative Services

Fiscal Note History: First Reader - March 9, 1998

ncs

Analysis by: Matthew D. Riven

Direct Inquiries to:

Reviewed by: John Rixey

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710