## **Department of Legislative Services**

Maryland General Assembly

#### **FISCAL NOTE**

#### Revised

House Bill 1336 (Delegate Proctor)

Appropriations

### State Retirement and Pension System - Administration and Operation

This bill increases, for fiscal 1999, the additional amount that may be budgeted for administration and operating expenses of the Maryland State Retirement and Pension System (MSRPS) from 0.30% of the payroll of the members to 0.60% for the purposes of a computer system upgrade. Any of the additional funds authorized by this bill that are not spent in fiscal 1999 may be expended in fiscal 2000 or 2001. The bill takes effect July 1, 1998; the provisions relating to funding the computer system upgrade sunset June 30, 2001.

### **Fiscal Summary**

**State Effect:** Spending authority for the computer system upgrade will increase by \$17.4 million over three years.

**Local Effect:** Potential minimal increase in employer contributions for local governments that participate in the MSRPS.

**Small Business Effect:** None.

# **Fiscal Analysis**

**State Expenditures:** The State Retirement Agency currently has spending authority of \$19.7 million for an upgrade of its data processing systems. This spending authority is based on an additional 30 basis points (0.30%) of the payroll of the members of MSRPS. This is in addition to the standard 20 basis points (0.20%) of MSRPS funds that the Retirement Agency may use to administer the system.

The bill increases to 60 basis points (0.60%) of payroll the additional amount that may be

spent on the computer upgrade. This will result in spending authority of \$37.1 million for the project. This spending authority may be used during fiscal 1999 through 2001 and sunsets at the end of fiscal 2001, as illustrated below. These 60 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 illustrated below in millions of dollars.

	Current	Proposed	
Fiscal Year	<b>Budget Authority</b>	<b>Budget Authority</b>	<u>Difference</u>
1998	\$5.2		(\$5.2)
1999	\$7.5	\$18.5	\$11.0
2000	\$7.0	\$14.5	\$7.5
2001		\$4.1	\$4.1
Total	<b>\$19.7</b>	<b>\$37.1</b>	<b>\$17.4</b>

Thus, under the proposal the Retirement Agency could spend an additional \$17.4 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 \$25 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 Legislative Services

**Fiscal Note History:** First Reader - March 11, 1998

tlw Revised - House Third Reader - March 31, 1998

Revised - Enrolled Bill - April 16, 1998

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