

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE
Revised

House Bill 1170 (Delegate A. Jones)

Appropriations

State Employees - Perfect Attendance Incentive

This bill establishes a perfect attendance incentive program for permanent employees in the State Personnel Management System.

The bill takes effect June 1, 1999.

Fiscal Summary

State Effect: Increase in personnel expenditures for cash awards of \$1.1 million in FY 2000, increasing in future years based on increased participation.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	642,000	805,700	934,000	1,070,300	1,214,900
SF Expenditures	214,000	268,600	311,300	356,800	405,000
FF Expenditures	214,000	268,600	311,300	356,800	405,000
Net Effect	(\$1,070,100)	(\$1,342,900)	(\$1,556,700)	(\$1,783,800)	(\$2,024,900)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect
 Numbers may not total due to rounding.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: Eligible employees would receive a cash award equal to up to 16 hours of unused personal leave or be allowed to convert up to 16 hours of unused personal leave to annual leave hours or sick leave hours. In the event that the employing unit does not have the resources to pay the cash award, the unit may offer the conversion option only. Part-time employees would receive the cash award or conversion on a prorated basis.

To be eligible for the perfect attendance incentive, the employee:

- must work during the full calendar year; and
- must use only annual or compensatory leave that is requested and approved before the end of the employee's previous shift, or is taken under officially declared liberal leave, or is approved after the employee has reported to work; and
- cannot use any sick leave except for a death in the family or use any leave without pay unless such leave is for an employee organization activity and was approved by the department before its use; and
- cannot incur a disciplinary suspension or disciplinary loss of leave that has been reversed.

An employee is not prevented from meeting the attendance requirements because the employee uses leave attributed to a disability as defined in the federal Americans with Disabilities Act of 1990 or leave qualifying under the federal Family and Medical Leave Act of 1993.

The cash awards under the bill will be paid from the funds of any principal unit that employs the employee or as provided in the State budget.

The bill provides that, because the program takes effect in the middle of a calendar year, State employees may cash-out or convert unused personal leave remaining at the end of calendar year 1999 or cash-out or convert personal leave received in calendar 2000 for the cash-out or conversion that occurs after the first full pay period in January 2000.

State Expenditures: All permanent employees in the State Personnel Management System would be eligible for the cash award or conversion incentive. (Units that have their own personnel management systems, such as the Department of Transportation (MDOT) and the State universities, are excluded.) In total, approximately 38,600 employees would be eligible to receive a cash award of up to 16 hours, at an average hourly rate of \$17.33.

Based on an assumed 10% participation, State costs could increase by \$1.1 million in fiscal

2000, as illustrated below. Fiscal 2000 costs are based on full participation, despite the October 1 effective date, because the bill allows for fiscal 2000 conversion of personal days from either calendar 1999 or calendar 2000. (The Department of Budget and Management (DBM) advises that this provision allows employees to participate during the first year who otherwise might be excluded because they used leave prior to enactment of, and their awareness of, the incentive).

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Total Eligible	38,592	-	-	-	-
Hourly Rate	\$17.33	-	-	-	-
Converted Hours	16	-	-	-	-
Total Eligible Cost (3.5% incr. per yr.)	\$10,700,790	\$11,075,317	\$11,462,954	\$11,864,157	\$12,279,402
Less 3% Turnover		\$10,743,058	\$11,119,065	\$11,508,232	\$11,911,020
Participation Rate	10.0%	12.5%	14.0%	15.5%	17.0%
Total Cost	\$1,070,079	\$1,342,882	\$1,556,669	\$1,783,776	\$2,024,873

Future year costs assume 3.5% salary increases and 3% turnover. Participation is assumed to increase to 17% by fiscal 2004. This assumption is based on MDOT's experience with a similar attendance incentive program. MDOT's program is about four years old and has a participation rate of 16.6%.

It is assumed that these additional personnel expenses would be 60% general funds, 20% special funds, and 20% federal funds.

The participation rate above assumes that 100% of participants in the incentive will choose the cash award. Conversion of personal leave to annual leave or sick leave hours is not assumed to significantly affect budgeted expenditures for the State. Use of additional sick leave would not directly affect State costs; application of unused sick leave to pension service credit would increase pension liabilities by an indeterminate (but assumed minimal) amount. Use of additional annual leave would not directly affect State costs. Accumulation and payout of additional unused annual leave upon termination of employment would increase State costs by an indeterminate (but assumed minimal) amount.

Information Source(s): Department of Budget and Management, Department of Legislative Services

Fiscal Note History:

First Reader - March 18, 1999

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