

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

Senate Bill 192 (Senator Mitchell)

Finance and Budget and Taxation

State Personnel - Contractual Employees - Transfers to Budgeted Positions

This bill provides that if a contractual employee has been employed in a contractual position for a continuous period of 18 months, the contractual position must be replaced by a budgeted position and the contractual employee will be allowed to transfer to the budgeted position. Under current law, if a contractual position is replaced by a budgeted position, the contractual employee in the contractual position may transfer to the budgeted position under certain circumstances. There is currently no requirement, however, that the appointing authority convert the contractual position to a budgeted position in the first place.

Fiscal Summary

State Effect: Increase in fringe benefit expenditures of \$8.4 million (all funds) in FY 2000 for conversion of 1,749 contractual employees to permanent positions (based on the October 1 effective date). Future year expenditures reflect cumulative annualized costs of an additional 910 conversions per year.

(\$ in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	5.1	10.4	14.4	18.7	23.1
SF Expenditures	1.7	3.5	4.8	6.2	7.7
FF Expenditures	1.7	3.5	4.8	6.2	7.7
Net Effect	(\$8.4)	(\$17.3)	(\$24.1)	(\$31.1)	(\$38.5)

*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

State Expenditures: The bill does not apply to the University System of Maryland, the Department of Transportation, or other units of the executive branch that have independent personnel systems.

The Department of Budget and Management (DBM) advises that there are approximately 3,210 contractual employees who work more than 50% of an annual work year and have been employed for 18 months or more, with a combined payroll of \$66.1 million. DBM estimates that all of them would be converted to permanent positions and become eligible for health insurance (at \$4,950 per employee) and pension benefits (at 7.15% of pay). (Employees who work less than 50% are not eligible for these benefits.) DBM estimates that providing these additional benefits would cost approximately \$15.5 million in fiscal 2000. DBM advises that in future years an additional 910 contractual employees per year would be converted from contractual to permanent positions for a total cost of \$26.9 million in fiscal 2001 and increasing cumulatively thereafter for a total cost of \$45.6 million in fiscal 2004.

Legislative Services, however, estimates that fewer employees will be eligible for conversion because there are 1,461 new permanent positions in the Governor's proposed fiscal 2000 budget for contractual conversions. Assuming that all these conversions are for contractual employees with more than 18 months of experience, then only 1,749 contractual employees with more than 18 months of experience would be subject to the bill.

It is estimated that providing these additional benefits to the 1,749 new permanent, full-time positions would cost approximately \$8.4 million in fiscal 2000, including an additional \$8.7 million for health insurance and \$2.6 million for employer pension contributions, less \$2.8 million to take into account the October 1, 1999 effective date.

In the out years, it is assumed that 910 contractual employees would be eligible for conversion each year. It is therefore estimated that there will be a total cumulative cost of \$17.3 million in fiscal 2001 and increasing cumulatively thereafter for a total cost of \$38.5 million in fiscal 2004. These additional costs also assume 3.5% payroll increases, 3% turnover, and 5% annual increases for health insurance costs.

It is assumed that 60% of these employees would be in general fund positions, 20% in special fund positions, and 20% in federal fund positions.

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

Legislative Services

Fiscal Note History:

First Reader - March 8, 1999

Inc/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510