Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 863 (Delegate Pitkin, *et al.*)
Appropriations

State Personnel - Telecommuting Pilot Program - Purchase of Home Office Equipment

This bill requires the Secretary of Budget and Management to establish policies and procedures to allow an employee of a participating agency to convert up to five days of personal or annual leave to a cash payment if (1) the employee is eligible to participate in the agency's telecommuting program; and (2) the cash payment will be used to purchase equipment needed to set up a home office to enable the employee to participate in the agency's telecommuting program.

Fiscal Summary

State Effect: Increase in State personnel expenditures (all funds) of $1.5 million in FY 2000 to convert up to five days of leave to cash for purchase of home office equipment. Future year expenditures reflect 30% program turnover and 3.5% average salary increases.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF/SF/FF Revs	$0	$0	$0	$0	$0
GF/SF/FF Exps	$1,495,900	$561,000	$580,600	$601,000	$622,000
Net Effect	($1,495,900)	($561,000)	($580,600)	($601,000)	($622,000)

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: Of the 49,000 State employees of the agencies that would participate in the State's Telecommuting Pilot Program, the Department of Budget and Management (DBM) advises that only a fraction would be eligible for telecommuting. In many large departments, such as Public Safety and Correctional Services, Health and Mental Hygiene, and Human Resources, the relevant government services can only be performed with the employees on site. In all, only 4% to 7% of employees might be eligible for telecommuting.

Assuming 2,697 employees were eligible (or approximately 5.5%) and 80% of them participated in the leave conversion program, then the program would have 2,158 participants at a first-year cost of approximately $1,495,900, based on average hourly wage rate of $17.33 for 40 hours of converted leave. The full first-year cost of the program would be felt in fiscal 2000, despite the October 1 effective date, because eligible employees would likely seek to participate immediately if they have leave that will be surrendered at the end of calendar 1999.

Future year costs of approximately $561,000 assume a 30% turnover, meaning that 30% of total employees in the program will change each year, requiring the "cashing out" of additional leave. This is a reasonable assumption given that the bill does not require that the employee stay in the telecommuting program (or remain a State employee) for a fixed period after the "cash out."

The resulting increase in telecommuting could result in reductions in certain State expenditures such as office space. The 1998 Report of the Telecommuting Workgroup, prepared by DBM, argues that telecommuting results in increased staff productivity. Any such productivity increase, however, cannot be reliably estimated at this time.

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

Fiscal Note History: First Reader - February 24, 1999
ncs/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510