

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 1188 (Delegate Valderrama. *et al.*)

Environmental Matters

Hospitals - Termination of Employees - Prohibition

This bill prohibits a hospital from terminating an employee without good cause. It authorizes an employee to appeal a termination decision to the Department of Health and Mental Hygiene (DHMH) after exhausting any internal hospital grievance procedures. However, an employee may appeal to DHMH if a hospital does not render a final decision under its grievance procedure within 30 days after the employee submits the grievance. A final decision by DHMH is binding on both the employee and the hospital. DHMH must impose a fine of up to \$10,000 on a hospital if it finds that the hospital has terminated an employee without good cause.

Fiscal Summary

State Effect: General fund expenditures for DHMH increase by \$137,800 to handle appeals from non-State hospital employees. Minimal general fund expenditure savings from fewer appeal options for State hospital employees. Future year expenditures increase with annualization and inflation. Indeterminate minimal effect on general fund revenues.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	-	-	-	-	-
GF Expenditures	137,800	159,800	165,600	171,700	178,000
Net Effect	(\$137,800)	(\$159,800)	(\$165,600)	(\$171,700)	(\$178,000)

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Revenues: General fund revenues could increase minimally under the bill's monetary penalty provision. General fund revenues for the Office of Administrative Hearings (OAH) could decrease minimally, assuming that the bill's provisions would result in fewer OAH hearings.

State Expenditures: There are approximately 65,000 permanent non-State hospital employees in Maryland, exclusive of an unknown number of contractual hospital employees. There are an additional 6,500 permanent State employees in State hospitals and around 1,000 contractual employees. In fiscal 1998, 25 State hospital employees were terminated for cause; 21 (or 0.3%) of those employees appealed the termination decision. Assuming that the same proportion of non-State hospital employees would appeal a termination decision would result in 210 additional appeals.

DHMH general fund expenditures could increase by an estimated \$137,802 in fiscal 2000, which accounts for the bill's October 1, 1999 effective date. This estimate reflects the cost of four positions (three personnel officers, one supervisor) to handle an estimated 210 additional appeals. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$117,427
Operating Expenses	<u>20,375</u>
Total FY 2000 DHMH Expenditures	\$137,802

DHMH advises that in addition to the four positions, a personnel administrator would be needed to supervise the new personnel officers, assuming that a new unit would be formed to handle appeals from non-State hospitals. The Department of Legislative Services (DLS) advises that a new supervisor would not necessarily be required if the appeal function for non-State hospitals were integrated into the existing appeals unit.

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Because the bill's provisions apply to all hospitals, the State's current process for handling State hospital employee terminations would change. Currently, when DHMH decides to terminate a hospital employee, the employee may appeal to the Department of Budget and Management (DBM), in which case a settlement conference takes place. An employee who is dissatisfied with the DBM results may request a contested case hearing with the Office of Administrative Hearings. Therefore, because the bill specifies that a final decision by DHMH is binding on both the employee and the hospital, there could be general fund savings

for both DBM and OAH appeal functions. These savings would be minimal due to the limited number of employee termination appeals resulting from State hospitals.

Information Source(s): Department of Health and Mental Hygiene (Mental Hygiene Administration, Developmental Disabilities Administration, Personnel), Office of Administrative Hearings, Department of Legislative Services

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