**SB 172**

# Department of Legislative Services

Maryland General Assembly
2000 Session

## FISCAL NOTE
## Revised

Senate Bill 172 (Chairman, Finance Committee)
(Departmental - Budget and Management)
Finance

### State Employees - Contractual Employees - Credit for Service

This departmental bill provides that a contractual employee who is selected to fill a budgeted position in the State Personnel Management System, without a break in service, in the same principal unit that employs the contractual employee will be given credit for service in the contractual position for the purpose of establishing steps in the pay grade applicable to the budgeted position, annual leave, and seniority rights.

The bill takes effect July 1, 2000, and applies to contractual employees who transfer to or are selected to fill a budgeted position on or after January 1, 1998.

## Fiscal Summary

**State Effect:** Minimal increase in State personnel expenditures for salary increases and the provision of credit for annual leave and seniority rights.

**Local Effect:** None.

**Small Business Effect:** The Department of Budget and Management has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Analysis

**Current Law:** Contractual employees of units under the State Personnel Management System already receive the above credits if they are transferred to a permanent position with the same responsibilities. The bill would provide these credits if they are selected for a different position within the same unit without a break in service.

**Background:** The fiscal 2000 budget included conversion of 1,461 contractual employees to permanent positions, following a study showing the growth in the number of long-term contractual employees. An additional 651 conversions are included in the proposed fiscal 2001 budget. These employees currently receive seniority credit.

An additional indeterminate number of contractual employees, however, have been or will be selected for a similar, but not identical, permanent position in the same agency. In that circumstance, the employee does not receive any seniority rights for his or her prior contractual service.

**State Expenditures:** The bill does not apply to executive branch units with independent personnel systems, such as the Department of Transportation or the University System of Maryland.

It is estimated that approximately 583 State regular employees, who were previously contractual employees, would be affected by the legislation (based on the assumptions below), and that the fiscal impact would be minimal.

The Department of Budget and Management (DBM) advises that based on a survey of agencies that participate in the State Personnel Management System, approximately 224 contractual employees were selected to fill permanent positions during the period from October 1, 1999, to February 1, 2000. On an annualized basis, therefore, 896 contractual employees per year would be selected to fill permanent positions. Applying the bill retroactively to January 1, 1998, could therefore affect approximately 2,240 employees. Based on a previous study by DBM of long-term contractual employment, it is assumed that only 26%, or 583 employees, would have been employed as a contractual employee for a year or more when they are selected to fill a permanent position.

For these 583 employees, the primary fiscal impact would be from any salary increase they would receive under the bill versus current law. The State Personnel Management System is based on a series of grades, and within each grade there are 16 steps. Under current law, when filling a permanent position, an appointing authority is authorized to grant a salary of up to Step 6 without approval from DBM, and up to the top of the grade with DBM approval.

Appointing authorities can therefore already reflect certain factors, such as the new employee's prior experience, in determining the appropriate step.

Under the bill, the appointing authority would be required to grant the additional steps to reflect the employee's previous contractual experience. It is assumed that in most cases, the step level granted to the selected employee is the same, or nearly the same, as what the employee would be granted by the appointing authority under current law. (The only changes would be that the granting of such steps would be automatic and, if over Step 6, would not require DBM approval.) Hence, the fiscal impact from the provision is assumed to be minimal. If, however, such selected contractual employees receive significantly more steps than they have been receiving under current law, then there would be a corresponding fiscal impact.

Granting of additional seniority rights and annual leave should result in little or no fiscal impact. Additional vacation leave does not directly affect State expenditures but would reduce productivity by an indeterminate amount. Seniority rights affect layoff procedures and points towards scores for State examinations; there would be little or no fiscal impact from these changes.

State pension expenditures would not be affected. The bill does not give pension service credit for the previous contractual employment, and, under current law, any new full-time permanent employee, regardless of prior employment, is enrolled in the Employees' Pension System.

## Additional Information

**Prior Introductions:** A substantially similar bill was introduced in the 1999 session as HB 1048. It was not reported out of the House Appropriations Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 7, 2000
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