

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 96 (Chairman, Finance Committee)
(Departmental - Budget and Management)

Finance

State Employees - Performance Based Pay Increases

This departmental bill provides that a State employee may be granted a merit (step) increase only when the employee receives a mid-year or end-of-cycle performance evaluation of “outstanding,” “exceeds standards,” or “meets standards” on the employee’s most recent evaluation. Employees receiving “needs improvement” or “unsatisfactory” evaluations would not receive automatic merit increases.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: Minimal or no impact on State expenditures (all funds). Because it is estimated that 98% of State employees receive (or will receive) one of the three evaluations that make them eligible for a merit increase, the change from automatic merit increases to evaluation-based increases will not result in any reduction in personnel expenditures. Revenues would not be affected.

Local Effect: None.

Small Business Effect: The Department of Budget and Management (DBM) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: An employee may not be denied a pay increase for performance reasons unless substantial performance reasons were cited on the employee's mid-year or final performance appraisal forms. In practice, merit increases are automatic unless a supervisor denies the increase.

Background: Under personnel reform enacted in 1996 (Chapter 347 of 1996), the General Assembly mandated that the State implement a pay-for-performance system. DBM states that it is working to develop a comprehensive pay-for-performance system. In the meantime, according to the department, the proposed legislation makes the current method of granting pay increases consistent with the pay-for-performance philosophy. The Governor's fiscal 2001 budget includes \$41 million in general funds for salary schedule increments and \$12.6 million in general funds for pay-for-performance bonuses (of which \$6.3 million is budgeted in DBM and the other \$6.3 million is to be absorbed within agencies' existing budgets).

Additional Comments: The bill applies only to the State Personnel Management System and not to independent personnel systems such as those for transportation and higher education.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 26, 2000
cm/jr

Analysis by: Matthew D. Riven

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