

Department of Legislative Services  
Maryland General Assembly  
2001 Session

FISCAL NOTE

House Bill 623 (Washington County Delegation)  
Appropriations

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**State Employees - Contractual Employees - Break In Service**

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This bill provides that a contractual employee who becomes a permanent employee shall be given credit for service in the contractual position for the purpose of establishing steps in the pay grade, annual leave, and seniority rights if: (1) after a break in service, completes one year of employment in a budgeted contractual position or a budgeted position in the State Personnel Management System in the same principal unit that employed the contractual employee prior to the break in service; (2) does not incur a break in service for more than one year; and (3) during the break in service the person was employed in a position that is similar in duties and responsibilities to the contractual position.

The bill takes effect October 1, 2001 and is retroactive to apply to contractual employees who transfer to or are selected to fill budgeted positions on or after July 1, 2000.

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**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:** None.

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## Analysis

**Current Law:** A contractual employee who transfers to a budgeted position or 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, is 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.

**Background:** At the urging of the General Assembly, the Department of Budget and Management has converted approximately 2,000 long-term contractual employees to permanent positions over the past several years, following a study showing the growth in the number of long-term contractual employees. These employees currently receive seniority credit. Chapter 63 (SB 172) of 2000, which was collectively bargained, extended this grant of seniority rights for previous contractual service to approximately 600 contractual employees who were selected for a similar, but not identical, permanent position in the same agency without a break in 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 cannot be reliably determined at this time how many former contractual employees would be covered by the bill. The Department of Budget and Management (DBM) advises that there are at least two employees of the Department of Human Resources in Washington County who would be affected; there may be an indeterminate number of other eligible employees around the State. Given the restrictive scope of the bill, however, it is assumed that the number of employees covered will be small.

The primary fiscal impact would be from any salary increase received 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 permanent employee's prior contractual experience, in determining the appropriate step.

Under the bill the appointing authority would be *required* to grant the additional steps to reflect the eligible employee's previous contractual experience. It is assumed that in most cases, the step granted to the selected employee would be 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 the fiscal effect would be more substantial.

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.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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Analysis by: Matthew D. Riven

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