

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 911 (Senators Hooper and Colburn)  
Budget and Taxation

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**State Employees - Salary Reductions**

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This bill reduces the annual salary of an Executive, Legislative, or Judicial Branch employee by 10% by August 1, 2004 if the employee's annual salary is at least \$111,000.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** General, special, and federal fund expenditures associated with salaries would decrease by approximately \$21 million in FY 2005 and \$25.1 million annually thereafter. Salary-based fringe benefit costs would decline accordingly. Revenues would not be affected.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Each branch of State government has the authority to set the pay for employees in that branch, except for those specified in the Constitution, such as judges, the Governor and Lieutenant Governor, and members of the General Assembly. Article III of the Constitution prohibits salary changes for public officers (*e.g.*, the Comptroller, Attorney General, or the Public Defender) whose term is four years or less while the officer is serving that term.

The Maryland Constitution directs the Governor's Salary Commission to recommend salaries every four years for the Governor and Lieutenant Governor, which will apply to the next term of office. The Judicial Compensation Commission makes salary recommendations for judges.

The Executive Pay Plan (EPP) applies to 203 Executive Branch employees who are cabinet secretaries, assistant and deputy secretaries, or agency heads (including the special funded Transportation Department). Pay rates in the EPP are currently set as minimum and maximum amounts for various grades and are subject to any limitations in the State budget. EPP salaries range from \$68,518 for an ES 4 (minimum of band) to \$155,141 for an ES 11 (maximum of band).

**State Expenditures:** The bill would result in a \$20,849,500 expenditure reduction (total) for all branches in fiscal 2005, accounting for the August 1 effective date. A full year's effect is as follows:

- Executive: \$25,000,000 (general, special, federal) for 1,668 employees.
- Legislative: \$187,759 (general funds) for seven employees.
- Judiciary: \$26,171 (general funds) for two employees.

This estimate does not include salaries for positions that cannot be changed by statute. The estimate also does not reflect the potential impact on fringe benefits that are salary-based, such as pensions and unemployment insurance.

The bill would reduce the salaries for 217 State agency positions in the Executive Branch, generating savings of approximately \$2.7 million, including \$1.9 million of general funds. The Department of Budget and Management advises that almost half of the affected salaries are for physicians who work for the Department of Health and Mental Hygiene and other departments. Additionally, it would lower the salaries of 1,233 academic and 218 administrative employees who work for the State university system by \$22.3 million. Academic employees include physicians at the University of Maryland School of Medicine and attorneys at the University of Maryland Law School.

In the Legislative Branch, approximately seven employees in the Department of Legislative Services and one in the House of Delegates would be affected. Only two employees in the Judiciary Branch who are not public officers earn \$111,000 or more.

Both the University System of Maryland (USM) and the Legislative Branch advise that the lowered salaries under the bill would make recruitment of qualified employees

difficult. USM anticipates that professors and deans would take positions at other universities.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Judiciary (Administrative Office of the Courts), University System of Maryland, Department of Budget and Management, Department of Legislative Services

**Fiscal Note History:** First Reader - March 29, 2004  
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