

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 22
 Appropriations

(Delegate Edwards)

Finance

State Employees - Military Administrative Leave - Sunset Extension

This bill extends by one year the June 30, 2005 termination date for military administrative leave for regular employees in all branches of State government who were on active duty on July 1, 2003 or called to active duty on or after July 1, 2003.

The bill is effective June 1, 2005 and terminates on June 30, 2006.

Fiscal Summary

State Effect: Increase in personnel expenditures of approximately \$809,500 (all funds) for state agencies for FY 2006 only, assuming current patterns of deployment. The impact will vary by agency. No effect on revenues.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	485,700	0	0	0	0
SF Expenditure	161,900	0	0	0	0
FF Expenditure	161,900	0	0	0	0
Net Effect	(\$809,500)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 389 of 2003 allowed State employees who serve in the military to receive paid leave while on active duty; the leave is limited to the difference between a member's federal active duty base salary and State base salary or direct wages, and may not exceed an employee's State salary. Eligible employees must elect to use the military administrative leave authorized by this bill or the fully paid military leave (up to 15 days) allowed under a separate provision of law. The Department of Budget and Management (DBM) must keep a record of the use of military administrative leave. The leave took effect July 1, 2003 and was originally set to terminate on June 30, 2004. Chapter 122 of 2004 extended the termination date to June 30, 2005. The leave does not apply to employees who are called by the Governor to active duty.

It is the policy of the State to continue health benefits for members of the National Guard called to active duty under U.S. Code Title 10 or Title 32, or the State Public Safety Article and for military reservists called to active duty.

Background: Chapter 285 of 2002 permitted the Secretary of Budget and Management to provide up to 15 days of leave with pay for employees on active military duty or military training in a reserve unit or in the organized militia (National Guard). It also allowed State employees called to active duty on or after September 11, 2001 on unpaid leave to receive leave from the State employees' leave bank beginning on the date the employee began unpaid leave or January 1, 2002, whichever is later. In some instances, members called to active duty were receiving both their full State salary and their full military salary. The Budget Reconciliation and Financing Act of 2003 gave the portion of Chapter 285 authorizing State employees called to active duty on or after September 11, 2001 on unpaid leave to receive leave from the State employees' leave bank an earlier sunset date of June 30, 2003, to reduce its significant impact.

According to a 2000 survey by the U.S. Department of Defense, 41% of reservists reported income loss during their most recent deployment, while 29% reported an income gain. Thirty percent reported no change to their income. Certain groups reported greater losses of income on average. For example, physicians experienced a \$9,000 loss and self-employed reservists reported an average loss of \$6,500. The average annual loss for senior officers was \$5,000 versus \$700 for junior enlisted members.

The U.S. Department of Defense reports that at any given time units and individuals serving in the National Guard and military reserve units may be mobilized or demobilized. Therefore, the number of activated National Guard troops and reservists changes each day. As of January 12, 2005, there were 193,375 National Guard troops

and reservists serving on active duty worldwide. Additionally, as of December 1, 2004, there were 138,000 U.S. military personnel serving on active duty in Iraq. The Department of Defense has reported that it intends to increase the number of troops in Iraq to at least 150,000 by January 30, 2005, the anticipated date of the Iraqi national election.

Other states offer a similar type of military administrative leave to state employees serving on active duty in the National Guard or reserves. By executive order, classified Commonwealth of Virginia employees serving on active duty in the armed forces, whose gross military salary plus allowances is less than their base state salary, are eligible to receive the "Active Military Supplement." Other states have statutorily set military leave so that state employees serving on active duty will receive the difference between their state salary and their military base pay plus any allowances. Among these states are Illinois, Minnesota (not to exceed four years), South Dakota, and Wisconsin (not to exceed 179 days unless extended by the governor). Delaware gives state employees serving on active duty the difference between their state pay and their base military pay, for a period not to exceed three years. Florida and New Jersey authorize but do not require government departments to pay state employees the difference between their state and total military pay. Furthermore, the federal government pays a federal civilian employee called to active duty the greater of the employee's military or federal civilian pay.

State Fiscal Effect: The bill would potentially apply to approximately 421 State employees who are members of the Maryland National Guard, as well as an unknown number of reservists.

DBM advises that since July 2003, approximately 225 State employees have been on military leave, 134 of which have returned. There are currently 91 State employees on military leave, 77 of which are receiving a pay differential. The average pay differential each receives is currently \$404.31 per bi-weekly pay period. If this amount and the number of State employees on active duty remain constant, expenditures from all funds could reach approximately \$809,500 for fiscal 2006. If the number of troops activated or deactivated increases, State expenditures would increase or decrease accordingly.

While the full State salary for these employees is budgeted in fiscal 2006 and the provision of differential pay will not exceed that budgeted amount, the difference in pay is a potential reduction in savings for the State if the employees would otherwise be required to use unpaid leave. Some agencies, however, may hire replacements for their staff members who are on active duty.

The impact will vary considerably by agency. The Military Department, for example, has 85 civilian employees (about 25% of its labor force) who are reservists or members of the Maryland National Guard. Thirty-one of these employees are on military leave, and two currently receive a pay differential.

Additional Information

Prior Introductions: SB 394 of 2004 (Chapter 121) extended the previous sunset date of SB 505 of 2003 (Chapter 389).

Cross File: SB 31 (Senator Harris) – Education, Health, and Environmental Affairs.

Information Source(s): Department of Veterans Affairs, Military Department, Department of Budget and Management, U.S. Department of Defense, U.S. Government Accountability Office, Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2005
ncs/rhh

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