**HJ 1**

# Department of Legislative Services

Maryland General Assembly
2006 Session

## FISCAL AND POLICY NOTE
**Revised**

House Joint Resolution 1 (The Speaker) (Governor's Salary Commission)

Appropriations Budget and Taxation

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**Governor's Salary Commission and General Assembly Compensation Commission - Recommendations**

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This joint resolution rejects the salary recommendations of the Governor's Salary Commission for the Governor and Lieutenant Governor for the next four-year term of office. The resolution also rejects the recommendations of the General Assembly Compensation Commission regarding changes in the in-district travel allowance (Item 2C) and for changes to the Legislative Pension Plan (Item 3A). The provisions related to the allowance for in-district travel and the Legislative Pension Plan would be as provided in the Resolution of the General Assembly Compensation Commission dated January 11, 2002. Other items related to compensation and allowances to General Assembly members would be as provided in the Resolution of the General Assembly Compensation Commission dated January 11, 2006.

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## Fiscal Summary

**State Effect:** The resolution's provisions would maintain existing expenditure levels for the salaries of the Governor and Lieutenant Governor and compensation, allowances, and pensions for members of the General Assembly for the next four-year term of office..

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

### Current Law:

*The Governor's Salary Commission*

The Governor's Salary Commission, created by a constitutional amendment in 1976 has seven members, including the State Treasurer, three persons appointed by the President of the Senate, and three persons appointed by the Speaker of the House of Delegates. Appointees serve a four-year term. Members of the General Assembly and officers and employees of the State or a political subdivision of the State are not eligible for appointment to the commission. The constitutional amendment provides as follows.

The commission must submit salary recommendations for Governor and Lieutenant Governor to the General Assembly within 10 calendar days after the beginning of the last regular General Assembly session in a four-year term of office. A joint resolution incorporating the recommendations must be introduced in each House of the General Assembly by the fifteenth day of the session. If the commission does not recommend any change in salary, no joint resolution needs to be introduced and the salaries for the two offices will not change during the next four-year term.

The General Assembly may endorse or reduce the commission's proposals but may not increase the proposed salaries. Failure to adopt a joint resolution within 50 calendar days following its introduction results in adoption of the salaries recommended by the commission.

Neither the commission nor the General Assembly may recommend or endorse salaries lower than those received by the incumbent Governor and Lieutenant Governor.

Salaries resulting from these actions take effect at the beginning of the next term of office, *i.e.,* January 17, 2007.

In 2002, the General Assembly adopted the commission's recommendations, and increased the Governor's annual salary from $120,000 to $135,000 for the first year of the current Governor's term of office, and by $5,000 each year until the annual salary reached $150,000 in the fourth year. The Lieutenant Governor's annual salary increased from $100,000 to $112,500 for the first year of the current Lieutenant Governor's term of office, and by increments of approximately $4,167 each year until the annual salary reached $125,000 in the fourth year.

*The General Assembly Compensation Commission*

A constitutional amendment, approved by the voters in 1970, created the nine-member General Assembly Compensation Commission and specified that the commission submit salary and allowance recommendations to the legislature every four years. Members of the General Assembly and State and local government officers and employees are not eligible for appointment to the commission.

The constitutional provisions, Article III, Section 15, provide that:

- The compensation commission must submit its compensation, allowances, and pension recommendations to the General Assembly by formal resolution within 15 days after the beginning of the last regular General Assembly session in a four-year term of office. In 2006, the commission was required to submit its resolution proposing compensation and allowances for the 2007-2010 General Assembly term by January 25, 2006.
- Rates of compensation and pensions must be uniform for all members of the General Assembly, except that the officers of the Senate and the House of Delegates (traditionally, the President and the Speaker) may receive higher compensation.
- Compensation allowances may not be less than the dollar amounts prior to the establishment of the first compensation commission in 1970.
- Through a joint resolution, the General Assembly may reduce or reject, but may not increase, any item in the resolution.
- The commission's resolution, with any reductions concurred in by joint resolution of the General Assembly, has the force of law and takes effect at the beginning of the next General Assembly.
- The provisions of each resolution govern until superseded by a subsequent resolution.

The Maryland Constitution, as interpreted by the Attorney General, gives the commission exclusive jurisdiction over salaries, meal and lodging expense allowances, travel allowances, employee benefit programs, and the legislative retirement system. This exclusive jurisdiction extends only to payments made to the legislators themselves.

The *Report of the General Assembly Compensation Commission*, published on January 11, 2006, contains exhibits that set forth the process and time line by which a resolution takes effect, and summarize the commission's nine preceding resolutions.

**Background:**

*Recommendations of the Governor's Salary Commission*

The Governor's Salary Commission recommended an increase in the salaries of the Governor and Lieutenant Governor for each year of the next four-year term as shown in **Exhibit 1**.

**Exhibit 1**
**Salary Changes for the Governor and Lieutenant**

| Year of Term | Calendar Year | Governor | % Increase Over Current Salary | Lieutenant Governor | % Increase Over Current Salary |
|---|---|---|---|---|---|
| First | 2007 | $155,000 | 3.3 | $129,167 | 3.3 |
| Second | 2008 | 160,000 | 6.7 | 133,333 | 6.7 |
| Third | 2009 | 165,000 | 10.0 | 137,500 | 10.0 |
| Fourth | 2010 | 170,000 | 13.3 | 141,667 | 13.3 |

The 1989 Governor's Salary Commission recommended a salary of $135,000 for the Governor and $115,000 for the Lieutenant Governor for the 1990-1994 term of office. The General Assembly amended the joint resolution to reflect a salary for the Governor of $120,000 and a salary of $100,000 for the Lieutenant Governor. The 1993 Governor's Salary Commission did not recommend an increase. The 1997 Governor's Salary Commission made the same salary recommendations as the 1989 commission. The recommendations were rejected by the General Assembly.

Beginning with the 1981 Governor's Salary Commission, the commission has made recommendations, per the Governor's request, on salaries for four constitutional officers: State Treasurer, Comptroller of the Treasury, Attorney General, and Secretary of State. Governor Ehrlich requested that the 2005 Governor's Salary Commission review and recommend compensation for these constitutional officers.

The *Report of the Governor's Salary Commission*, published in January 2006, contains appendices showing the salaries and rankings for each of the constitutional officers in all 50 states.

*Recommendations of the General Assembly Compensation Commission*

The General Assembly Compensation Commission recommended that salaries remain at 2006 levels in each year of the next term of office – $43,500 for members and $56,500 for presiding officers. As for expense reimbursements and allowances, the only change from the 2002 Resolution would be that the annual in-district travel allowance would increase from $500 to $600. Out-of-state meal and lodging reimbursement levels would remain at $225 per day. The mileage reimbursement rate and the in-State meal allowance would continue to be linked to the standard State travel regulations applicable to State employees, and the in-State lodging reimbursement remains tied to the applicable Internal Revenue Service rates for Annapolis. The commission also recommended continuation of the current resolution with respect to health and other benefits that are generally available to State employees.

The only other changes to the 2002 Resolution involve the Legislative Pension Plan. First, the maximum retirement allowance would increase from two-thirds to 70% of a current legislator's salary, meaning that a member must serve 23 years and 4 months to accrue the maximum benefit, compared to 22 years and 3 months under the current resolution, and make member contributions for an additional 1 year and 1 month.

Second, the normal retirement age would rise from 60 to 62, and the early retirement age would go from 50 to 55, the same as in the Employees' Pension System. The maximum actuarial reduction for early retirement thus would decrease from 60% to 42%.

Next, a member of the Legislative Pension Plan would be able to designate a beneficiary other than the member's spouse if the spouse signs a waiver for the specified death benefit. Currently, a member may only designate a nonspouse beneficiary if there is no surviving spouse. As under the 2002 Resolution, however, the designated beneficiary would not receive a survivor's benefit until reaching the early or normal retirement age, unless an optional form of allowance is chosen.

Finally, the three optional forms of retirement allowances would be repealed and replaced with the six optional forms of payment currently available in the Employees' Pension System.

**Additional Comments:** The Department of Legislative Services' fiscal estimate of the General Assembly Compensation Commission's recommendations, if adopted in their entirety, would be an $18,800 general fund annual increase during the 2007-2010 period, solely the result of the $100 increase in the in-district travel allowance. As for the pension plan changes, in conjunction with salaries being held at 2006 levels, the State's actuary advises that the Employees' Pension System's unfunded actuarial liability would decrease by $11.7 million, resulting in annual pension contribution savings of about $285,300 annually under the current corridor funding method. The actuary further advises that if the Legislative Pension Plan were treated as a stand-alone plan, which it is not since it is part of the Employees' Pension System, the unfunded actuarial liability would decrease by $11.0 million and pension contribution savings would be about $872,700 annually.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** SJ 2 (The President) (Governor's Salary Commission) – Budget and Taxation.

**Information Source(s):** Governor's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - January 31, 2006
ncs/ljm Revised - House Third Reader - March 22, 2006

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