Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 34 (Delegate Bromwell)
Appropriations Finance

State Employees - Military Administrative Leave - Repeal of Sunset

This bill repeals the June 30, 2006 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 takes effect June 1, 2006.

Fiscal Summary

State Effect: Increase in personnel expenditures of approximately $1 million (all funds) for State agencies in FY 2007. Out-year expenditures depend on future troop deployment levels, which cannot be reliably quantified at this time. No effect on revenues.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	$0	$0	$0	$0	$0
GF Expenditure	602,800	-	-	-	-
SF Expenditure	200,900	-	-	-	-
FF Expenditure	200,900	-	-	-	-
Net Effect	($1,004,600)	-	-	-	-

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 Act 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, and Chapter 104 of 2005 extended the termination date again to June 30, 2006. 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 State employee 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 termination date of June 30, 2003, to reduce its significant impact.

The federal government has conducted a number of studies into the compensation of reserve component members of the U. S. armed forces. According to a 2004 survey by the U. S. Department of Defense, of those reservists who had been activated in the previous 24 months, 51% reported a total monthly income loss, while 49% reported no income change or a monthly income increase. According to a 2000 U. S. Department of Defense study, 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 daily. As of January 4, 2006, there were 136,006 National Guard troops and reservists serving on active duty worldwide.

Other states offer a similar type of military administrative leave to state employees serving on active duty in the National Guard or reserves, either through executive order of the governor or through legislation. Among these states are Illinois, Indiana, Louisiana, Michigan (classified workers), Kansas, 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 up to three years, and health benefits for up to two years. Under 5 U.S.C. 6323(b) activated federal civilian employees are entitled to the greater of their military or civilian pay for up to 22 days.

State Fiscal Effect: The bill would potentially apply to all State employees who are members of the National Guard or reserves. As of February 2003, the most recent available data, there were 421 Maryland National Guard members who were also State employees, as well as an unknown number of reservists.

DBM advises that, since July 2003, approximately 300 State employees have registered for the military administrative leave program, 208 of whom have returned from active military duty. There are currently 92 activated State employees receiving a pay differential as a result of this program. The estimated average pay differential each receives is currently $420 per bi-weekly pay period.

If the average bi-weekly pay differential and the number of State employees on active duty remain constant, expenditures from all funds could approach $1 million in fiscal 2007. While the full State salary for these employees is budgeted in fiscal 2007 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. Assuming that the current level of deployment remains constant for fiscal 2008 through 2011, it can be reasonably assumed that the cost for the military administrative leave for the out-years will remain little unchanged.

Since the level of National Guard and reserves troop activation and deployment depends on the foreign and defense policies of the federal government, it is difficult to predict future deployment fluctuations. For all years, to the extent that the level of troop deployment deviates from the current level, expenditures would increase or decrease accordingly.

The impact of this bill would vary considerably by agency. The cost of the bill for agencies with a relatively high number of civilian employees who are reservists or members of the National Guard could be considerable. The Department of Legislative Services observes that agencies unable to absorb the loss of man power may also need to hire temporary replacement staff.

Additional Information

Prior Introductions: None.

Cross File: While this bill is not designated as a crossfile, SB 34 (Senator Harris) – Finance and HB 32 (Delegates Boteler and Cluster) – Appropriations are identical to this bill.

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

Fiscal Note History: First Reader - January 26, 2006
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