SB 754

Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 754 (Senator King, *et al.*)
Finance

State Personnel - Accrual of Annual Leave - Local Government Service

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This bill specifies that full-time employment with a local government may be included in an employee's "total State service" for the purposes of calculating the employee's amount of annual accrued leave.

The bill applies to permanent employees of the State Personnel Management System (SPMS) hired on or after July 1, 2010. There may be no break between local and State employment for local government service to qualify; any local government service within the last 10 years qualifies under the bill.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Potential minimal increase in State expenditures (all funds) beginning in FY 2011 due to increased annual leave compensation paid to employees who receive credit for their previous local service but then leave State service. State expenditures may increase more significantly in future years. Revenues are not affected.

Local Effect: None. The bill only affects State government operations.

Small Business Effect: None.

Analysis

Current Law: SPMS employees, except temporary employees, are entitled to annual leave with pay based on the length of employment with the State. Annual leave accrues on a pro rata basis. **Exhibit 1** displays the amount of leave SPMS employees accrue per year based on their length of employment.

Exhibit 1
Annual Leave Accrual Based on Length of State Service

Length of Service	Annual Leave Accrual
Less than 5 Years	80 Hours
Between 5 and 10 Years	120 Hours
Between 10 and 20 Years	160 Hours
More than 20 Years	200 Hours

An eligible SPMS employee may accumulate unused annual leave and may carry over from one year to the next up to 75 days or 600 hours of unused annual leave. Any unused annual leave in excess of 75 days or 600 hours must be forfeited at the beginning of the first full pay period of the next calendar year.

An employee is eligible for compensation for any unused annual leave upon separation from State service. The amount of compensation equals one-tenth of the employee's biweekly salary multiplied by the employee's unused annual leave balance at the end of the previous calendar year. Employees are limited to 50 days or 400 hours, as well as any unused current year annual leave, which may be up to 200 hours. Employees terminated for moral turpitude or those terminated within six months of appointment are not eligible for payment of unused annual leave.

Background: Under the bill, an employee with 10 years of local government experience receives 160 hours (20 days) of annual leave in the first year of State service rather than 80 hours, in addition to the standard 48 hours of personal leave, 120 hours of sick leave, and about 12 paid holidays per year.

State Fiscal Effect: Under the bill, some SPMS employees hired after the bill's effective date accrue more annual leave per year than under current law. It is difficult to estimate the number of employees affected by the bill as the number of employees with local government work experience is unknown. Nevertheless, Legislative Services assumes that, beginning in fiscal 2011, some employees hired by the State have some qualifying local government experience.

Although the bill may have fiscal and operational impacts on the State, Legislative Services advises that the effects of the bill are minimal in the near term. Because the bill allows some newly hired SPMS employees to accrue annual leave at a higher rate, the State may pay employees higher amounts of compensation upon separation from State service. Under current law, it takes a new employee at least five years to accrue 400 hours of leave. Under the bill, a new employee who is eligible for 10 years of credit toward State service could accrue 400 hours in two and a half years. It is assumed that many employees use some of their annual leave each year, which limits the amount of leave an employee retains for the purpose of compensation. The Department of Budget and Management (DBM) advises, however, that because of other leave available, some employees reserve annual leave specifically for its value at the time of separation from service.

DBM further advises that the bill may affect productivity because some new hires could take more time off, which may impact employee training and development. Nonetheless, the bill may offer an incentive for experienced applicants to seek positions in State government. The extent of any fiscal or operational impact is expected to be minimal in the near term because the State's fiscal difficulties have limited hiring of new employees. In future years, the average annual leave compensation paid to a State employee who receives credit for local service when separating from State service may increase. The amount of such an increase in future years cannot be reliably estimated but may be significant.

Additional Information

Prior Introductions: None.

Cross File: HB 955 (Delegate F. Turner) - Appropriations.

Information Source(s): Baltimore, Carroll, Harford, and St. Mary's counties; towns of Bel Air and Leonardtown; City of Salisbury; Maryland Association of Counties; Maryland Municipal League; Department of Budget and Management; Department of Legislative Services

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