Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 724 (Senator Madaleno)
Finance

State Personnel - Program to Improve Employee to Supervisor Ratio and Employee Span of Control Review Board

This bill requires the Secretary of Budget and Management, in collaboration with agency heads, to establish a program to make the ratio of State employees to supervisors in all units of the Executive Branch be 14:1 by fiscal 2016 and 15:1 by fiscal 2018. Subject to waivers allowed by the bill, the requirement extends to all units, including those with independent personnel systems, except those with employee/supervisor ratios established in federal law. The bill also establishes an Employee Span of Control Review Board to establish guidelines for the program and to consider waivers. There is a related reporting requirement.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: General fund expenditures by the Department of Budget and Management (DBM) increase by $194,820 in FY 2014 to implement the bill and provide staff support to the board. Out-year expenditures reflect annualization, inflation, and employee turnover, as well as the termination of two temporary positions in FY 2017. The span of control program established in the bill may generate short-term savings across all Executive Branch agencies but long-term inefficiencies and costs; the net effect cannot be reliably estimated.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	$0	$0	$0	$0	$0
GF Expenditure	194,800	242,000	160,800	168,100	175,800
Net Effect	($194,800)	($242,000)	($160,800)	($168,100)	($175,800)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines "span of control" to be the aggregate ratio of State employees per supervisor for all units in the Executive Branch of State government." If a unit with 28 or fewer positions requests a waiver, the Secretary must grant the waiver.

Beginning July 1, 2014, agency heads or presidents of public institutions of higher education may apply to the board for a waiver or a delay from the requirement to meet the program's goals. The bill provides further detail on the process for consideration of waiver requests.

DBM must provide staff for the board. On or before December 31 of each year, the Secretary must report to the Governor and General Assembly on the effects of the program on (1) the composition of the State workforce; (2) cost savings for State government; (3) government efficiency; and (4) any other outcomes the Secretary deems to be significant.

Current Law: The State Personnel Management System (SPMS) is the principal personnel system in the Executive Branch. The Legislative Branch and the Judiciary each have independent personnel systems (and are not affected by the bill). An Executive Branch agency may, if expressly authorized in statute, establish an independent personnel management system. The Maryland Department of Transportation (MDOT) and the University System of Maryland (USM) have the two largest independent personnel management systems in the Executive Branch.

There are no requirements in State law related to span of control in State agencies.

Background: DBM administers SPMS, which includes most employees in Executive Branch agencies. In fiscal 2012, there were 45,661 full-time equivalent positions in SPMS, 22,161 in USM, and 6,378 in MDOT. The Legislative Branch had 748 regular positions, including 383 positions in the Department of Legislative Services (DLS). The Judiciary had 3,581 regular positions.

Within SPMS, two of the four employment categories explicitly involve management or oversight responsibilities in their statutory definitions. The management service "primarily involves direct responsibility for the oversight and management of personnel and financial resources." The executive service includes chief agency administrators, deputy secretaries, assistant secretaries, and other individuals with high-level management responsibilities in Executive Branch agencies. A January 2013 analysis by DLS found that, within SPMS, 204 individuals were in the executive service and 1,988 individuals were in the management service. Based on the 45,661 total positions in SPMS, this yields a ratio of 19.8 employees for every supervisor. However, DLS notes that at least some individuals in the two other SPMS employment categories, skilled service and professional service, also have supervisory responsibilities even though the statutory definitions do not require that they have them, meaning that the actual ratio is likely much lower. Data on ratios in other personnel systems was not available for the DLS analysis.

State Fiscal Effect:

Administrative Costs

Although the board functions in perpetuity under the bill, DLS notes that the bulk of its responsibility is completed in the first two years after the bill's effective date. The purpose of the board is to develop program guidelines and administer the waiver process. It is assumed that most waiver and delay requests are received in fiscal 2014 and 2015, before the program must achieve its first goal in fiscal 2016. Although some requests for delay may need to be revisited during or after fiscal 2016, DLS believes the volume of such requests will be very low and can be handled with a reduced staffing contingent.

Similarly, the bulk of program guidelines must be in place before fiscal 2016, when the State must meet the bill's first goal of a 14:1 ratio. Additional guidelines may need to be developed to meet the fiscal 2018 goal of 15:1 and to meet the ongoing reporting requirement. However, new guidelines will largely build off existing guidelines, and processes to satisfy the reporting requirement will be developed and implemented during the first two years. Those functions can thus be performed in the out-years with a reduced staffing contingent. Ongoing staffing is necessary to ensure and monitor continued compliance with the bill's goals and to carry out related functions, including the reporting requirement.

Therefore, general fund expenditures increase by $194,820 in fiscal 2014, which accounts for a 90-day start-up delay following the bill's July 1, 2013 effective date. This estimate reflects the cost of hiring four people to administer the span of control program within DBM and to provide staff support to the board. Two are permanent positions and two are contractual positions that terminate at the end of fiscal 2015 due to the diminution of responsibilities linked to the program. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The assumptions used in developing this estimate are stated below:

- one permanent position oversees the span of control program;
- two positions, one permanent and one contractual, provide professional support for the program and to the board, assisting the supervisor in collaborating with non-SPMS agencies, providing staff and research support to the board, and managing the waiver program; and
- one contractual position provides administrative support to the program.

Positions	4
Salaries and Fringe Benefits	$168,300
Operating Expenses	26,520
Total FY 2014 State Expenditures	**$194,820**

Future year expenditures reflect full salaries with annual increases and employee turnover, annual increases in ongoing operating expenses, as well as the termination of two contractual positions in fiscal 2017.

Other Executive Branch agencies are responsible for coordinating with DBM and the board and providing personnel information necessary to meet the bill's goals. It is assumed that, with management and support provided by the additional DBM staff, other agencies can carry out these responsibilities with existing budgeted resources. However, to the extent that meeting the bill's requirements requires significant reorganization of existing management structures, agencies may incur additional expenditures to hire management consultants to advise on the most efficient and productive way to reorganize. Any such costs have not been reflected in the DLS estimate of the bill's fiscal effect.

Span of Control Efficiencies

The fiscal effect of achieving the program goals established in the bill cannot be reliably estimated. The purpose of the program is to increase the employee/supervisor ratio throughout State government. This will likely be accomplished by consolidating units and divisions within agencies and/or reducing the number of supervisors in State government. In the short term, program consolidation and a reduction in supervisory positions, which tend to be more senior and therefore have higher salaries, may generate efficiencies and reduced State expenditures. However, the long-term effects of the program may create additional costs and/or inefficiencies that offset any early gains to the extent that such consolidation results in (1) the loss of institutional expertise; (2) inappropriate groupings of agency functions; or (3) reduced oversight of employee work. Therefore, the bill's overall fiscal effect cannot be determined.

DLS further notes that the definition of span of control is the *aggregate* ratio for *all* units of the Executive Branch. Based on this definition, it is assumed that some units within the affected agencies may still have employee/supervisor ratios that are less than the bill's targets as long as the *aggregate* ratio meets the goal.

Additional Information

Prior Introductions: None.

Cross File: HB 1213 (Delegate Frick, *et al.*) - Appropriations.

Information Source(s): Department of Budget and Management, University System of Maryland, Maryland Department of Transportation, Maryland Higher Education Commission, Baltimore City Community College, Department of Legislative Services

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