

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 765

(Chair, Appropriations Committee)(By Request -
Departmental - Budget and Management)

Appropriations

Finance

State Personnel - Authority to Set Compensation

This departmental bill restricts the independent salary setting authority of multiple entities in State government. It also gives the State Lottery and Gaming Control Agency (SLGCA) independent salary setting authority, subject to the same restrictions as the other agencies.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Potential reduction in State personnel costs (all funds) to the extent that the bill reduces compensation for some positions in the affected agencies. Any effect is expected to be moderate, at most in the tens of thousands of dollars in any single agency. Revenues are not affected.

Local Effect: None.

Small Business Effect: The Department of Budget and Management (DBM) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: In addition to granting independent salary setting authority to SLGCA, the bill affects the statutory authority of the following State governmental entities to establish compensation for their employees:

- Correctional Training Commission;
- Police Training Commission;
- Department of Business and Economic Development;
- Maryland Water Quality Financing Administration;
- Maryland Health Care Commission;
- Maryland Health Services Cost Review Commission;
- State Board of Physicians;
- Maryland Insurance Administration;
- Maryland Health Insurance Plan;
- Maryland Health Benefit Exchange; and
- Divisions of Unemployment Insurance and Workforce Development within the Department of Labor, Licensing, and Regulation.

Specifically, the bill authorizes these entities to establish employee compensation only for positions that (1) are unique to those entities; (2) require specific skills or experience; and (3) do not require employees in those positions to perform functions that are comparable to those performed by employees of other State agencies. It specifies that the Secretary of Budget and Management, in consultation with the various entities, determines for which positions they may set compensation. These same restrictions apply to SLGCA.

Current Law: Unless otherwise specified, State employees are in the State Personnel Management System and subject to the State pay plan. The entities listed above, however, have explicit statutory authority to independently establish compensation for their employees; the specific authority given to each entity varies somewhat, as shown in **Exhibit 1**.

Exhibit 1
Independent Salary Setting Authority of Select State Entities

Correctional Training Commission and Police Training Commission	The executive director, deputy director and other employees are entitled to receive compensation as established by the commissions and in accordance with the State budget; the two commissions share a staff.
Department of Business and Economic Development	The Secretary sets the compensation of department employees in accordance with the State budget.
Maryland Water Quality Financing Administration	The administration may employ consultants, accountants, attorneys, financial experts, and other personnel and agents, and fix their compensation.
Maryland Health Care Commission	The commission, in consultation with the Secretary of Budget and Management, determines the appropriate job classifications and grades for all staff.
Maryland Health Services Cost Review Commission	The commission, in consultation with the Secretary of Budget and Management, determines the appropriate job classifications and grades for all staff.
State Board of Physicians	The Secretary of Health and Mental Hygiene determines the appropriate job classifications and grades for all staff.
Maryland Insurance Administration	The commission determines compensation for staff in accordance with the State pay plan, if possible.
Maryland Health Insurance Plan	The executive director, in consultation with DBM may determine the appropriate job classifications and grades for all staff.
Maryland Health Benefit Exchange	The executive director determines the classification, grade, and compensation of staff, in consultation with the Secretary of Budget and Management and with the approval of the board. When possible, compensation should be set in accordance with the State pay plan.
Divisions of Unemployment Insurance and Workforce Development	The Secretary of Labor, Licensing, and Regulation sets compensation for staff in accordance with the State budget.

Source: Annotated Code of Maryland, various articles

Background: DBM advises that the provision of independent salary setting authority to select State entities has resulted in pay inequities. Some entities with that authority have provided more generous compensation to employees who perform similar jobs as employees in other State agencies that do not have salary setting authority. Over compensation most frequently occurs in the areas of personnel management, information technology, finance and budget, and procurement. By restricting independent authority only to those positions that are unique within a State entity, DBM hopes to minimize pay inequities within State government.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Business and Economic Development, Department of Budget and Management, Department of Health and Mental Hygiene, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2014
mm/ljm Revised - House Third Reader - March 24, 2014

Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Personnel – Authority to Set Compensation

BILL NUMBER: HB 765

PREPARED BY: Department of Budget and Management

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

None