SB 657

Department of Legislative Services

Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 657 (Senator Madaleno, *et al.*)
Finance

State Personnel - Programs to Improve Employee to Supervisor or Manager Ratios

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This bill requires the Secretary of Budget and Management, the Secretary of Transportation, the Board of Regents of the University System of Maryland (USM), the Board of Regents of the Morgan State University (MSU), the Board of Trustees of St. Mary's College of Maryland (SMCM) and the Board of Trustees of Baltimore City Community College (BCCC) to establish span of control programs. Subject to waivers, the span of control programs aim to make the ratio of State employees to supervisors be 14:1 by fiscal 2018 and 15:1 by fiscal 2020. There is a related reporting requirement.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund expenditures by the Department of Budget and Management (DBM) increase by $104,100 in FY 2016 for two contractual staff to implement the bill. Out-year expenditures reflect inflation, employee turnover, and the termination of the positions in FY 2019. The span of control program established in the bill likely generates short-term savings across specified State agencies beginning in FY 2018 but long-term inefficiencies and costs in FY 2021 and subsequent years; the net effect cannot be reliably estimated.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	$0	$0	$0	$0	$0
GF Expenditure	104,100	90,600	94,600	98,700	0
GF/SF/FF Exp.	0	0	(-)	(-)	(-)
Higher Ed Exp.	0	0	(-)	(-)	(-)
Net Effect	($104,100)	($90,600)	($94,600)	($98,700)	$0

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 requires the Secretary of Budget and Management, in collaboration with agency heads within the State Personnel Management System (SPMS), to establish a program to make the ratio of State employees to supervisors in all units within SPMS be 14:1 by fiscal 2018 and 15:1 by fiscal 2020. The Secretary must waive the span of control requirements by request from a unit (1) with 28 or fewer positions; (2) that requires a different ratio mandated by federal law; or (3) that meets criteria for an exception established by regulation.

By 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.

The Maryland Department of Transportation (MDOT) must establish a span of control program that includes the same goals, timelines, waiver provisions, and reporting requirement of the span of control program under SPMS.

USM, MSU, and SMCM must establish a span of control program that is appropriate for a university setting and includes the goals, timelines, waiver provisions, and reporting requirement of the span of control program under SPMS. BCCC must establish a span of control program that is appropriate for a community college setting and includes the goals, timelines, waiver provisions, and reporting requirement of the span of control program under SPMS.

Current Law: 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. MDOT and 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 2014, there were 41,379 full-time equivalent positions in SPMS, 29,187 in USM, and 5,847 in MDOT (not including Maryland Transportation Authority and union employees of the Maryland Transit Administration). Of SPMS employees, 18% of employees held managerial or supervisory positions, and of MDOT employees, 35% of employees held managerial or supervisory positions. SMCM notes instructional staff accounts for over 30% of employees, and only one department currently has an employee to supervisor ratio exceeding the initial 14:1 standard. Every other department is smaller, and some are considerably smaller. Data on ratios in other personnel systems was not available for this analysis.

State Fiscal Effect:

Administrative Costs

The bill requires DBM to develop program guidelines and administer the waiver process. It is assumed that most waiver requests are received in fiscal 2016 and 2017, before the program must achieve its first goal in fiscal 2018. The bulk of program guidelines must be in place before fiscal 2018, 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 2020 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 four years. Once the program is fully implemented in fiscal 2020, the Department of Legislative Services (DLS) assumes existing staff can ensure and monitor continued compliance with the bill's goals and carry out related functions, including the reporting requirement.

Therefore, general fund expenditures increase by $104,133 in fiscal 2016, which accounts for the bill's July 1, 2015 effective date. This estimate reflects the cost of hiring two contractual administrators to administer the span of control program within DBM. These contractual positions terminate at the end of fiscal 2019 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.

Contractual Positions	2
Salaries and Fringe Benefits	$94,393
Operating Expenses	9,740
Total FY 2014 State Expenditures	**$104,133**

Future year expenditures reflect annual salary increases and employee turnover, annual increases in ongoing operating expenses, as well as the termination of the two contractual positions in fiscal 2019.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

MDOT, USM, MSU, SMCM, and BCCC must also establish similar span of control programs. It is assumed that, with support provided by the additional DBM staff, these 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, these 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 long-term fiscal effect of achieving the program goals established in the bill cannot be reliably estimated. The purpose of the program is to increase the State employee/supervisor ratio. 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 likely reduces 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. Additionally, DBM advises that position reductions in recent years have caused many supervisors to take on additional responsibilities, providing them with little time to perform basic supervisory tasks.

Certain Executive Branch employees within the State do not have collective bargaining rights, including any supervisory or managerial employees of an Executive Branch department. Thus, the number of union employees likely increases as more supervisory positions are converted to nonsupervisory positions. DBM anticipates an increase in collective bargaining issues as a result of the bill, but these bargaining issues can be handled with existing resources.

Additional Information

Prior Introductions: SB 724 of 2013, a similar bill that established a span of control program in all units of the Executive Branch, received an unfavorable report by the Senate Finance Committee. Its cross file, HB 1213, was withdrawn after a hearing in the House Appropriations Committee.

Cross File: HB 702 (Delegate Jones, *et al.*) - Appropriations.

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

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md/mcr

Analysis by: Heather N. Ruby

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