

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 454
 Appropriations

(The Speaker)(By Request - Administration)

Budget and Taxation

State Employees - Merit Increases in Salary

This Administration bill excludes State employees represented by the State Law Enforcement Officers Labor Alliance (SLEOLA) and Maryland Transportation Authority (MDTA) police represented by Fraternal Order of Police Lodge 34 who are subject to a step increase effective April 1, 2016, in accordance with a collective bargaining agreement negotiated with the State from the prohibition on merit increases for State employees in fiscal 2016, as established by Chapter 489 of 2015.

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: General fund expenditures increase by \$1.09 million in FY 2016 and by \$3.83 million in FY 2017, special fund expenditures increase by \$0.16 million in FY 2016 and by \$0.62 million in FY 2017, and federal fund expenditures increase by \$2,600 in FY 2016 and by \$9,100 in FY 2017 for step increases to eligible SLEOLA members within various State agencies. All but \$17,700 is already included in the FY 2017 budget, which also includes a FY 2016 deficiency appropriation contingent on the enactment of this bill or its cross file. Nonbudgeted expenditures for MDTA police increase by \$0.34 million in FY 2016 and by \$1.34 million in FY 2017. Federal fund revenues increase by \$2,600 in FY 2016 and by \$9,100 in FY 2017 to offset federal fund expenditures. Out-year expenditures and revenues reflect annualization and inflation.

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
FF Revenue	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01
GF Expenditure	\$1.09	\$3.83	\$3.96	\$4.09	\$4.23
SF Expenditure	\$0.16	\$0.62	\$0.64	\$0.66	\$0.68
FF Expenditure	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01
NonBud Exp.	\$0.34	\$1.34	\$1.38	\$1.43	\$1.48
Net Effect	(\$1.59)	(\$5.78)	(\$5.98)	(\$6.18)	(\$6.39)

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

Local Effect: None.

Small Business Effect: The Administration 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

Current Law: The Budget Reconciliation and Financing Act of 2015 (enacted as Chapter 489 of 2015 and commonly known as the BRFA) prohibits merit increases for State employees in fiscal 2016, excluding (1) the salaries of constitutional officers or members of the General Assembly; (2) increases necessary for the retention of faculty in the University System of Maryland, Morgan State University, or St. Mary's College of Maryland; (3) increased payments under specified mass transit collective bargaining agreements; and (4) operationally critical staff. The BRFA prohibits any State pay plan, with the exception of the Executive Pay Plan, from being amended to provide a rate of compensation lower than the rate provided on January 1, 2015.

Background: SLEOLA's collective bargaining agreement stated that a step increase must be reinstated, effective April 1, 2016. Thus, all employees who are otherwise eligible must receive a step increase effective during the pay period that includes April 1, 2016. Future step increases are based on the implementation rules adopted by SLEOLA and the State on July 1, 2000. Generally, employees who were hired between January 1 and June 30 receive their annual step increase each year effective on January 1, and employees who were hired between July 1 and December 31 receive their annual step increase each year effective on July 1.

SLEOLA members serve in the following agencies:

- Maryland State Police;
- Natural Resources Police;
- Office of the State Fire Marshal;
- Maryland Capitol Police;
- Maryland Department of Health and Mental Hygiene Police;
- Maryland Department of Labor, Licensing, and Regulation (DLLR) Police;
- Maryland Department of Public Safety and Correctional Services Intelligence and Investigative Division and Warrant Apprehension Unit;
- Motor Vehicle Administration Police; and
- Comptroller's Office Field Enforcement Agents.

Approximately 1,338 employees within the Maryland State Police are covered by SLEOLA. The number of SLEOLA members in other agencies was not available for inclusion in this fiscal and policy note.

Over the last decade, State employee salary increases have been irregular, with periods of increases followed by periods in which average salaries remained flat or declined. Increments were not funded in fiscal 2010 through 2013 and in fiscal 2016. The fiscal 2017 budget contains funds for State employees to receive step increases.

State Revenues: Federal fund revenues increase by \$2,580 in fiscal 2016 and by \$10,093 in fiscal 2020 to offset the increase in federal fund expenditures for step increases for SLEOLA members within DLLR.

State Expenditures: The fiscal 2017 budget contains a fiscal 2016 deficiency appropriation of \$2.5 million to implement the SLEOLA collective bargaining agreement, of which \$1.25 million (\$1.09 million in general funds and \$0.16 million in special funds) is to implement a step increase for SLEOLA members on April 1, 2016. This deficiency appropriation is contingent on the enactment of this bill or its cross file. Additionally, the fiscal 2017 budget contains \$4.44 million of funding for SLEOLA step increases in fiscal 2017. However, the fiscal 2017 budget and the fiscal 2016 deficiency appropriation do not contain funds for step increases for SLEOLA members within DLLR, although they are eligible for step increases under the bill.

Since the bill takes effect June 1, 2016, SLEOLA members and specified MDTA police do not receive the April 1, 2016 step increase until June 1, 2016. General fund expenditures in fiscal 2016 increase by \$1.09 million, special fund expenditures increase by \$0.16 million, and federal fund expenditures increase by \$2,580. In fiscal 2017, general fund expenditures increase by \$3.83 million, special fund expenditures increase by \$0.62 million, and federal fund expenditures increase by \$9,130. All but \$17,741 for DLLR police (of which \$11,710 is federal funds) is included in the fiscal 2017 budget (which also includes a fiscal 2016 deficiency appropriation). Nonbudgeted expenditures increase by \$0.34 million in fiscal 2016 and by \$1.34 million in fiscal 2017 for MDTA police step increases. Future years reflect 3.4% growth in costs. **Exhibit 1** shows the increase in expenditures by State agency.

Exhibit 1
Fiscal Impact of Step Increases for SLEOLA and
Specified Fraternal Order of Police Members, by Agency
Fiscal 2016-2020

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Maryland State Police	\$829,148	\$3,183,928	\$3,292,182	\$3,404,116	\$3,519,856
MDTA Police	339,487	1,337,742	1,383,225	1,430,255	1,478,884
Natural Resources	251,955	904,019	934,756	966,537	999,400
General Services	139,563	226,834	234,546	242,521	250,767
Public Safety	11,934	50,036	51,737	53,496	55,315
Comptroller	8,650	34,599	35,775	36,992	38,249
DHMH	8,020	32,078	33,169	34,296	35,462
DLLR	3,908	13,833	14,303	14,790	15,292
Transportation	2,036	8,730	9,027	9,334	9,651
Total	\$1,594,701	\$5,791,799	\$5,988,720	\$6,192,337	\$6,402,877

DHMH: Department of Health and Mental Hygiene
 DLLR: Department of Labor, Licensing, and Regulation
 MDTA: Maryland Transportation Authority
 SLEOLA: State Law Enforcement Officers Labor Alliance

Source: Department of Budget and Management; Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 378 (The President)(By Request - Administration - Budget and Taxation) is not identical.

Information Source(s): Department of Budget and Management, Maryland State Police, State Law Enforcement Officers Labor Alliance, Department of Legislative Services

Fiscal Note History:
kb/mcr

First Reader - February 12, 2016
Revised - House Third Reader - March 21, 2016
Revised - Enrolled Bill/Updated Budget Information - May 16,
2016

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Employees – Merit Increases in Salary

BILL NUMBER: SB0378/HB0454

PREPARED BY: Aaron Barker, DBM Staff Economist

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