SB 569

Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 569 (Senator Hettleman)
Finance

State Employees - Four-Day Workweek - Implementation

This bill requires the Department of Budget and Management (DBM) to identify, by October 1, 2025, units or functions of State government for which a four-day workweek is feasible and beneficial for at least 60% of State employees. DBM must complete the implementation of a four-day workweek for State employees in those identified units and functions by October 1, 2027. By October 1, 2028, DBM must report to the General Assembly on the implementation of a four-day workweek as specified.

Fiscal Summary

State Effect: General fund expenditures for DBM increase by at least $191,100 in FY 2025; out-years reflect ongoing costs. Expenditures (all funds) may increase significantly, potentially by tens of millions of dollars, as early as FY 2027 due to increased administrative costs and personnel costs associated with implementing a four-day workweek. Revenues are not affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	$0	$0	$0	$0	$0
GF Expenditure	191,100	109,600	205,400	119,500	124,700
GF/SF/FF Exp.	0	0	-	-	-
Higher Ed Exp.	0	0	-	-	-
Net Effect	($191,100)	($109,600)	($-)	($-)	($-)

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

Local Effect: Local government operations and finances are not directly affected.

Small Business Effect: None.

Analysis

Bill Summary: If affected State employees are in a bargaining unit, DBM must negotiate the transition of the employees in the bargaining unit to a four-day workweek and complete a signed agreement with the exclusive representative that establishes the four-day workweek requirements before implementation. An employee who transitions to a four-day workweek may not have work hours reduced to less than 36 hours of work each week or receive a reduction in pay or benefits as a direct result of the transition.

Current Law: The 2023 *Joint Chairmen's Report* expressed the committees' interest in the feasibility of creating a four-day workweek in the Maryland Department of Labor (MDL) and requested that MDL submit a report, which had to include:

- a study of existing four-day workweek programs;
- an analysis of potential incentives that could be provided to employers;
- the potential impact of a four-day workweek program on employers;
- the feasibility of moving State workers to a 36-hour per week work schedule; and
- any resources MDL would require to enable the agency to provide assistance to employers under a four-day workweek program.

MDL submitted its report in December 2023. The report mentions that the majority of State employees worked a 35.5 hour workweek until then-Governor William Donald Schaefer's executive order mandating a 40-hour workweek for all State employees in 1991. The executive order was intended to mitigate potential layoffs in the face of a fiscal shortfall, while simultaneously boosting worker productivity and minimizing overtime costs. However, the report notes that the landscape of Maryland's State workforce has shifted with workforce vacancies reaching historic levels.

Collective bargaining for State employees must include all matters relating to (1) wages, hours, and other terms and conditions of employment and (2) the time and manner of access to a new employee program.

State Expenditures:

Personnel Costs for State Agencies

An employee who transitions to a four-day workweek may not have work hours reduced to less than 36 hours of work each week or receive a reduction in pay or benefits as a direct result of the transition. Thus, when an employee goes from a 40-hour workweek to a 36-hour workweek but their salary and benefits do not change, this constitutes an increase of 10% to the employee's hourly rate. A 10% increase to an employee's hourly rate affects the rate paid for overtime and shift differentials, thereby increasing State expenditures (all funds).

For example, there are 21,317 nonexempt employees in the State Personnel Management System (SPMS) who are eligible to earn overtime as of February 2024. DBM estimates that if 50% of these employees shift to a 36-hour schedule but continue to work 40 hours per week, the overtime costs for those 4 hours paid at a straight time rate (not time and a half) increases State expenditures by $67.9 million annually. Overtime in excess of 40 hours per week increases expenditures further as employees are paid time and a half based on the higher hourly rate under the bill.

However, the actual impact will depend on the number of positions changed to a four-day workweek, whether those positions are exempt or nonexempt, the salary of those positions, and whether employees are required or allowed to work fewer than 40 hours per week after the transition (*i.e.*, less than 10 hours per day). It is conceivable, though perhaps unlikely, that collective bargaining could result in employees being required to work 10-hour days in exchange for an additional day off to maintain a 40-hour workweek. Exempt employees earn compensatory time rather than overtime, so any additional work in excess of the 36-hour workweek results in these exempt employees earning more compensatory time. While this potentially creates more absences in the workplace, thereby reducing productivity, it does not increase overtime spending.

Thus, State expenditures may increase significantly, potentially by tens of millions of dollars, as a result of transitioning to a four-day workweek, likely beginning in fiscal 2028 once negotiations with labor unions are completed and timekeeping systems have been changed, but potentially as early as fiscal 2027. However, the actual impact of the bill is unknown at this time, and costs may be mitigated by transitioning only exempt employees instead of nonexempt employees.

This analysis does not include any personnel costs associated with new benefits or other compensation secured by exclusive representatives through collective bargaining. The bill establishes a statutory requirement for implementation of a four-day workweek that must be negotiated, which provides leverage to exclusive representatives to secure additional concessions for employees through collective bargaining in exchange for the required four-day workweek.

Administrative Costs

DBM advises that there are approximately 41,000 budgeted positions within SPMS. To identify units and functions for which a four-day workweek is feasible for 60% of State employees, DBM needs to review and evaluate the job duties, responsibilities, and schedules of approximately 24,600 State employees in SPMS alone by October 1, 2025, plus additional State employees outside of SPMS. DBM's Office of Personnel Services and Benefits Classification and Salary Unit cannot handle the increased workload within the timeframe of the bill. Thus, DBM needs to hire a consultant in fiscal 2025 to identify eligible four-day workweek positions. The Department of Legislative Services assumes this consultant expense is at least $100,000 and is incurred in fiscal 2025, though a small portion of this cost may be incurred in fiscal 2026, as the task must be completed by October 1, 2025.

Additionally, DBM anticipates challenges with conducting negotiations with employee unions given the timeline of the bill and increased employee grievances under the bill if some employees are moved to a four-day workweek while others are not. Thus, general fund expenditures increase by at least $191,079 in fiscal 2025, which accounts for the bill's October 1, 2024 effective date. This estimate reflects the cost of hiring one employee relations specialist to assist with negotiations with exclusive bargaining representatives before the implementation of a four-day workweek and to handle increased grievances after the implementation. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses, along with at least $100,000 of consultant expenses for the study.

Position	1.0
Salary and Fringe Benefits	$83,823
Consultant Costs	100,000
Operating Expenses	7,256
Total FY 2025 State Expenditures	**$191,079**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Future year expenditures also reflect contractual employees in fiscal 2027. Once four-day workweek positions are identified and negotiations with labor unions are concluded, DBM needs to make changes to Workday, its timekeeping system, and regulations to account for a four-day workweek. Making the necessary changes to Workday requires significant time to test new processes and rules in the system. Thus, DBM estimates needing three additional contractual employees for at least three months while changes are made in Workday and testing is done. Accordingly, general fund expenditures for DBM increase by an additional $70,784 in fiscal 2027. To the extent that it takes longer than three months to test systems, general fund expenditures increase accordingly and may continue into fiscal 2028. 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.

Other State agencies may also incur costs to make changes to their payroll and timekeeping systems and may need additional employee relations staff to assist with grievances. For example, the Department of Juvenile Services estimates that the bill results in changes needing to be made to various profiles in their biometric timekeeping system at a one-time cost of between $50,000 and $100,000. The actual impact will depend on which employees are transitioned to a four-day workweek.

The Public Employee Relations Board (PERB) may experience an increase in impasse matters and/or an increase in the number of Unfair Labor Practice charges filed as a result of the bill, but PERB can handle the increased workload with existing resources.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 559 (Delegates Stewart and Hornberger) - Appropriations.

Information Source(s): Public Employee Relations Board; Department of Budget and Management; Department of Juvenile Services; Maryland Department of Labor; Department of Public Safety and Correctional Services; State Retirement and Pension System; Department of Legislative Services

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