

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1422 (Delegate Solomon)(By Request - Joint Audit and
Evaluation Committee)

Government, Labor, and Elections

State Personnel - State Fiscal Leadership Capacity

This bill authorizes, at the request of an appointing authority, the Secretary of Budget and Management to grant an exemption to the State pay plan to assist in recruiting and retaining a chief financial officer (CFO) for a unit of the Executive Branch of State government that receives at least \$2.0 billion in State and federal funding and employs a CFO. For these units, the bill establishes minimum qualifications for CFOs, which must provide the Comptroller's Office with all necessary entries of the unit's financial information at the close of the fiscal year for an Annual Comprehensive Financial Report (CFR). CFOs must ensure that each entry is adequate and accurately recorded and must certify to the Comptroller on the adequacy and accuracy of the information as specified. Additionally, CFOs must provide the Comptroller's General Accounting Division the information necessary to prepare the CFR and Schedule of Expenditures of Federal Awards, along with a letter attesting to the information's accuracy and completeness. If unit affected by the bill has a procurement contract containing liquidated damage provisions in which the unit intends not to pursue in the event of a breach, the CFO must (1) provide documentation to the Board of Public Works (BPW), on the rationale for not pursuing liquidated damages and (2) obtain approval from BPW to not seek liquidated damages. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: State expenditures (general and special funds) may increase to the extent that appointing authorities of specified units of the Executive Branch request and receive an exemption from the State pay plan to pay higher wages to CFOs beginning in FY 2027. The FY 2027 budget as introduced includes \$2.0 million in the Dedicated Purpose Account (DPA) that may be used for this purpose. Provisions related to liquidated damages are procedural in nature and have no direct effect on governmental finances. Revenues are not materially affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Within the State Personnel Management System (SPMS), there are two pay plans: the Standard Pay Plan and the Executive Pay Plan. The purpose of the pay plans is to provide employees in positions that involve comparable effort, knowledge, responsibilities, skills, and working conditions with comparable pay according to the relative value of services performed. The Standard Pay Plan includes all positions in SPMS and all other positions for which the Secretary of Budget and Management has authority to administer pay. The Executive Pay Plan includes each permanent position in the Executive Branch, including each permanent position in the Governor's Office, that is not included in the Standard Pay Plan and has a pay rate equal to or exceeding the lowest pay rate in the Executive Pay Plan.

Pay rates in the Standard Pay Plan or Executive Pay Plan may be set by a series of pay grades (or executive pay grades) and steps within each grade, fixed rates, or minimum and maximum amounts. When setting or amending a pay rate, the Secretary of Budget and Management must consider the prevailing pay rates for comparable services in private and public employment, experience, living costs, benefits, and the financial condition and policies of the State. A pay rate is subject to any limitations included in the State budget.

The Secretary of Budget and Management may increase pay rates for a specific class under the Standard Pay Plan with the approval of the Governor in order to recruit or retain competent personnel or to ensure that pay rates adequately compensate for the effort, knowledge, responsibility, skills, and working conditions of employees in that class. If an amendment to the pay plan affects a position in the Executive Branch that is listed in the budget bill, the amendment is contingent on the approval of BPW. An amendment to the Standard Pay Plan may not take effect unless sufficient money is available in the budget to cover the resulting pay rates.

Each budget bill must contain a separate section that includes the proposed salary schedule for the Executive Pay Plan and a listing of the job classification and title of each position in the Executive Pay Plan, including the proposed salary grade for each position, and is subject to the General Assembly's approval.

Liquidated Damages

Each State procurement contract must include a clause or clauses covering liquidated damages, as appropriate. DGS advises that (1) for construction contracts, liquidated damages are required unless the agency head determines otherwise and (2) determinations

for other contracts are made on a contract-by-contract basis by a procurement officer in consultation with the Office of the Attorney General.

In addition, with respect to State procurement, liquidated damages may be collected for specified violations of:

- the Minority Business Enterprise program;
- the State's prevailing wage requirements; and
- the State's Living Wage law.

State Expenditures: A unit of the Executive Branch of State government that receives at least \$2.0 billion in State and federal funding and employs a CFO can likely meet the bill's reporting requirements with existing resources. However, State expenditures may increase to the extent that appointing authorities of those units of the Executive Branch request and receive an exemption from the State pay plan to pay higher wages to CFOs beginning in fiscal 2027. The fiscal 2027 budget as introduced includes \$2.0 million in DPA that may be used for this purpose. Based on the fiscal 2027 operating and capital budgets as introduced, affected agencies may include, but are not necessarily limited to, the Maryland Department of Health, the Maryland State Department of Education, the Maryland Department of Transportation (MDOT), the Department of Human Services, and the University System of Maryland (USM).

BPW can review and vote on documentation supporting decisions not to impose liquidated damages in the event of a breach for procurement contracts with existing resources. To the extent that BPW does not approve an agency's decision to forego liquidated damages, revenues (all funds) may increase from the collection of damages, but any such effect is speculative and not reflected in this analysis.

Additional Comment: The Department of Legislative Services notes that MDOT and USM each operate under independent personnel management systems that are not subject to the authority of the Secretary of Budget and Management.

Additional Information

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

Designated Cross File: None.

Information Source(s): Board of Public Works; Maryland State Department of Education; University System of Maryland; Department of Budget and Management; Maryland Department of Health; Office of the Comptroller; Maryland Department of Labor; Department of Public Safety and Correctional Services; Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2026
jg/mcr

Analysis by: Heather N. MacDonagh

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