

**Department of Legislative Services**  
 Maryland General Assembly  
 2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1147 (Delegate Foley)  
 Environment and Transportation

**Public Service Commission – Administrative Operations and Personnel Matters**  
**(Public Service Commission Flexibility Act)**

This bill requires the Public Service Commission (PSC) to establish a personnel management system for its employees that operates independently of the State Personnel Management System (SPMS). Instead of only for specified personnel, all employees’ compensation is to be determined by PSC and, if possible, in accordance with the State pay plan. The bill expands the Executive Secretary’s job responsibilities and exempts PSC from most State procurement law. The exercise of PSC’s authority is an essential government function, and PSC may take necessary actions to implement laws under its jurisdiction. PSC is subject to be audited by the Office of Legislative Audits (OLA) at any time and is exempt from State and local taxation. **The bill takes effect July 1, 2026.**

**Fiscal Summary**

**State Effect:** Special fund expenditures increase by \$100,600 in FY 2027, which reflects three additional PSC employees and cost savings from not using the Department of Budget and Management’s (DBM) shared services. DBM reimbursable revenues and expenditures decrease by \$192,810 annually beginning in FY 2027. Future year expenditures reflect annualization and ongoing costs. The fiscal 2027 budget as introduced includes \$325,892 for the three new positions. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
ReimB. Rev.	(\$192,800)	(\$192,800)	(\$192,800)	(\$192,800)	(\$192,800)
SF Expenditure	\$100,600	\$154,500	\$170,500	\$186,900	\$203,400
ReimB. Exp.	(\$192,800)	(\$192,800)	(\$192,800)	(\$192,800)	(\$192,800)
Net Effect	(\$100,600)	(\$154,500)	(\$170,500)	(\$186,900)	(\$203,400)

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The personnel management system that PSC establishes must be based on merit and include fair and equitable procedures for redressing grievances and appointing, hiring, promoting, terminating, and removing employees. PSC employees are subject to Divisions II and III of the State Personnel and Pensions Article (pensions and other retirement and pension provisions). PSC employees that are subject to SPMS on July 1, 2026, must remain subject to SPMS until PSC adopts an independent personnel management system. PSC must adopt regulations to govern the personnel management system as specified.

PSC permanent employees must: (1) be considered permanent State employees for purposes of transferring to or from another State government position; (2) receive credit for service with PSC for any accrued leave and benefits; and (3) be granted the same compensation consideration that would be provided to an employee transferring within another division of State government.

The bill specifies that the employee designated by the Executive Secretary of PSC to perform the duties of the Executive Secretary when the Executive Secretary is absent must serve as the Deputy Executive Secretary. The Executive Secretary must direct and supervise the administrative affairs and activities of PSC in accordance with its regulations and policies; approve all accounts for salaries, per diem payments, and all allowable expenses of PSC, its employees, and its consultants; and approve all expenses incidental to operating PSC.

PSC must submit its operating program budget to DBM for inclusion in the State budget book for informational purposes, keep records using generally accepted accounting principles, and have an independent certified accountant audit the accounts and transactions of PSC at the end of each fiscal year. The bill repeals the requirement for PSC to submit changes in salary plans to DBM.

Instead of being required to hire experts as PSC considers necessary under current law and retaining on a case by case basis additional experts as required for a particular matter, PSC may employ or retain as independent contractors, and set compensation for, consultants and other experts as specified.

**Current Law:** PSC must supervise and regulate public service companies subject to its jurisdiction to (1) ensure their operation in the interest of the public and (2) promote adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In doing so, PSC must consider the public safety, the economy of the State, the maintenance of fair and stable labor standards for affected workers, the conservation of natural resources, the preservation of environmental quality, the achievement of the State's climate commitments for reducing greenhouse gas emissions, and the protection of a

public service company's infrastructure against cybersecurity threats. PSC must also enforce compliance with legal requirements by public service companies. "Public service company" means a common carrier company, electric company, gas company, sewage disposal company, telegraph company, telephone company, water company, or any combination of public service companies.

PSC is a quasi-judicial independent agency under the Executive Branch that is special funded by the Public Utility Regulation Fund, which receives almost all of its revenues from assessments on public utilities. Except as otherwise provided in law, all PSC personnel are subject to the provisions of the State Personnel and Pensions Article.

### *Procurement*

The Department of General Services has oversight over specified PSC procurements above a delegated threshold. Under § 13-117 of the State Finance and Procurement Article, PSC may conduct a competitive sealed bid higher than their small procurement threshold for any procurement of consultants for requirements that are legislatively mandated with specific time frames established in law that will address issues related only to climate change, the environment, energy, and greenhouse gas emissions. Before awarding a procurement contract under § 13-117, PSC is required to obtain the approval of the head of the PSC and the Chief Procurement Officer, or their designees.

### *Procurement Exemptions*

More than 40 State entities are exempt, in whole or in part, from State procurement law. Subject to specified exceptions, an entity that is exempt from State procurement law must have written policies and procedures for its procurements; the written policies must be approved by the Board of Public Works.

**State Expenditures:** PSC anticipates needing to: (1) establish a human resource team to oversee personnel issues; (2) establish policies for procurement; and (3) hire an independent certified public accountant to review records. The fiscal 2027 budget as introduced includes \$325,892 in special funds for three new positions for PSC, which PSC advises is sufficient to implement the bill.

PSC currently participates in DBM's human resources (HR) shared services program, and the fiscal 2027 budget as introduced includes \$192,810 of special funds for PSC. Under the bill, PSC does not need DBM's HR shared services, so special fund expenditures for PSC decrease by \$192,810 annually beginning in fiscal 2027, and DBM reimbursable revenues and expenditures correspondingly decrease.

Accordingly, special fund expenditures for PSC increase by a net amount of \$100,616 in fiscal 2027, which accounts for a 90-day implementation delay from the bill's

July 1, 2026 effective date. This estimate reflects the cost of hiring an HR administrator, an HR director, and an HR officer to oversee and manage PSC’s independent personnel management system. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes cost savings of \$192,810 from not participating in DBM’s HR shared services program. The fiscal 2027 budget as introduced includes \$325,892 of special funds for these positions.

Positions	3
Salaries and Fringe Benefits	\$266,004
DBM HR Shared Services	(192,810)
Operating Expenses	<u>27,422</u>
<b>Total FY 2027 State Expenditures</b>	<b>\$100,616</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additionally, the bill gives PSC additional flexibility in terms of salary setting and procurement, which generates operational efficiencies and potential fiscal impact. However, PSC advises that it does not need additional resources beyond the three HR employees.

OLA can audit PSC with existing resources.

### Additional Information

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

**Designated Cross File:** SB 842 (Senator Feldman) - Education, Energy, and the Environment.

**Information Source(s):** Comptroller’s Office; Department of Budget and Management; Department of General Services; State Department of Assessments and Taxation; Public Service Commission; Department of Legislative Services

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