F10A02

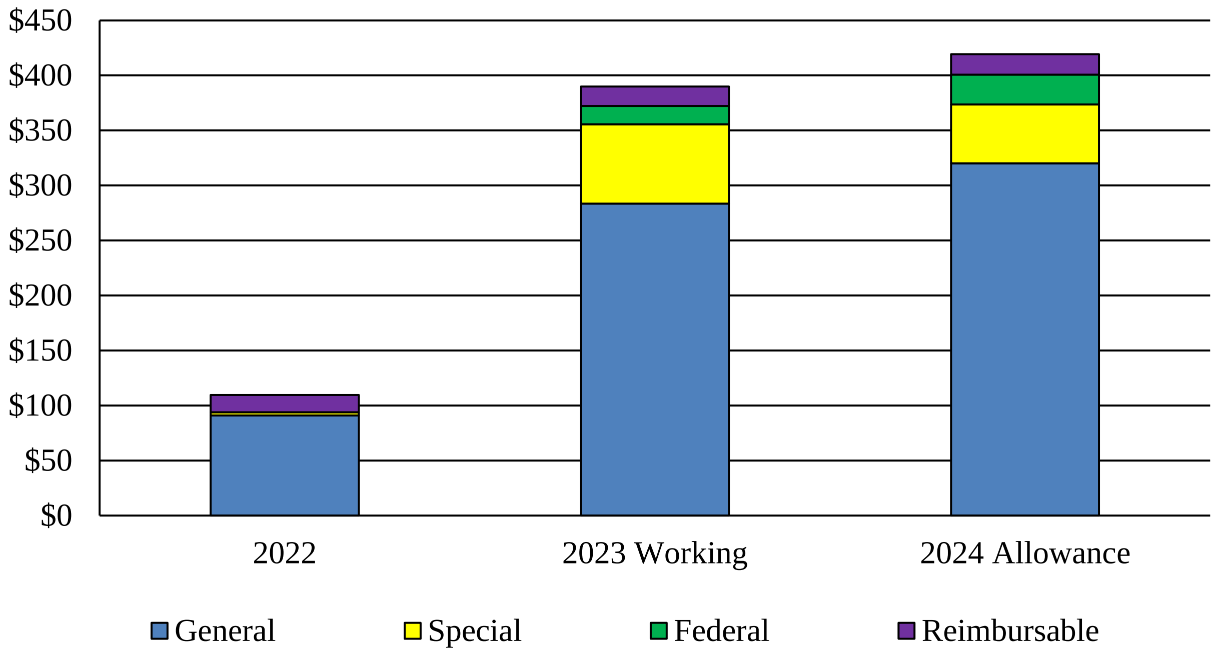
Department of Budget and Management – Personnel

Executive Summary

The Department of Budget and Management (DBM) Office of Personnel Services and Benefits (OPSB) exercises oversight over Executive Branch employees within the State Personnel Management System (SPMS). OPSB administers personnel policies as well as the health benefits program.

Operating Budget Summary

Fiscal 2024 Budget Increases $29.4 Million, or 7.5%, to $419.4 Million
($ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2023 working appropriation reflects funding for deficiencies, including those which are statewide and will be allocated among other State agencies upon enactment of the fiscal 2024 operating budget.

- Fiscal 2022 actual expenditures are much higher than normal because they include an $80 million general fund subsidy to the State Employee and Retiree Health Insurance Account.

- The fiscal 2023 working appropriation includes a $249 million deficiency appropriation for the November 2022 4.5% cost-of-living adjustment (COLA).

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Key Observations

- ***Vacancies Continue to Plague State Agencies:*** A vacancy rate of 13.1% in the Executive Branch continues to disrupt State agencies. DBM reported that salaries are below market rate for many positions. The budget includes funding for fiscal 2024 salary increases as well as an Annual Salary Review (ASR).

- ***State Takes on Higher Health Insurance Cost Share:*** In order to limit employee premium increases, the State is taking on a higher than agreed share of health insurance costs, which could lead to spikes in employee payments in the future.

- ***Family and Medical Leave Insurance (FAMLI) Program Contribution Unfunded:*** The State contribution for the FAMLI Program is not included in the budget; a deficiency appropriation will be required next year.

Operating Budget Recommended Actions

		Funds	Position
1.	Adopt committee narrative requesting the department to submit closeout information on the Employee and Retiree Health Insurance Account.		
2.	Adopt committee narrative requesting the department to submit quarterly reports on prescription, medical, and dental plan performance reports.		
3.	Adopt committee narrative requesting a report on the State's progress toward the Governor's goal of reducing the vacancy rate by half.		
4.	Add language to delay the processing of an amendment for the fiscal 2024 cost-of-living adjustment and add intent language that funds should be provided only to agencies that make progress in filling vacant positions.		
5.	Reduce the deficiency appropriation in the Statewide Program due to a budgeting error	-$ 42,000,000	
6.	Reduce funding due to the overestimation of fiscal 2023 statewide salary action costs	-$ 10,692,130	
7.	Reduce the deficiency appropriation for the 4.5% November 2022 cost-of-living adjustment that is unneeded	-$ 25,000,000	

due to savings in agency budgets from the large number of vacant positions.

8. Add a section for annual language restricting the movement of employees into abolished positions.

9. Add a section requiring monthly reporting on the State's workers' compensation account held by the Injured Workers' Insurance Fund.

10. Add a section for the annual "Rule of 100" limit on position creation.

11. Add a section for annual language requiring a report on State positions.

12. Add a section for annual language requiring reporting of employee and retiree health insurance receipts and spending.

Total Net Change to Fiscal 2023 Deficiency Appropriation	**-$ 77,692,130**
Total Net Change to Allowance	

Operating Budget Analysis

Program Description

DBM OPSB provides policy direction for the human resources system established by the State Personnel and Pensions Article through its oversight of SPMS. All positions in the Executive Branch of State government are in SPMS, except for employees of higher education institutions and the Maryland Department of Transportation (MDOT). Positions in the Legislative and Judicial branches of State government are also outside of SPMS. OPSB administers State personnel policies and health benefits through the following programs:

- ***Executive Direction:*** The executive director acts as the State's chief negotiator in collective bargaining with State employee labor unions. The program includes the Employee and Labor Relations Division, Employee Assistance Program, the Division of Shared Services, and the Division of Contract Administration.

- ***Division of Employee Benefits:*** The division administers the State's health insurance program. Costs for administration are included in this budget, while costs for health benefits are funded separately in the Employee and Retiree Health Insurance Account.

- ***Division of Personnel Services:*** The division provides guidance on personnel matters and processes payroll for all SPMS employees while also acting as the human resources office for DBM and 24 other State agencies.

- ***Division of Classification and Salary:*** The division maintains the State's position classification plan and develops the State's salary and wage program.

- ***Division of Recruitment and Examination:*** The division maintains the State's online recruitment tool (JobAps) and administers a ranking system to assist hiring managers.

Performance Analysis: Managing for Results

1. Health Screenings Level Off

In an effort to address escalating medical and prescription drug costs, the State implemented a wellness program in calendar 2015. Members can earn waived copays for primary care physician (PCP) visits if members complete a Health Risk Assessment and designate a PCP and can receive $5 off specialist copays by completing age or gender-specific preventive screenings. In calendar 2021, 88,731 screenings were done under the health plan. The program cost the State $1.6 million in waived copayments in calendar 2021. **Exhibit 1** shows wellness measures provided with the fiscal 2024 budget. Screening rates improved following the introduction of the wellness program but have plateaued for the most part since that time.

Exhibit 1
Wellness Program Measures
Fiscal 2014-2022

Screening	2014	2015	2016	2017	2018	2019	2020	2021	2022
Mammogram	48.9%	53.2%	50.5%	51.8%	51.3%	53.1%	46.7%	59.3%	54.5%
Colonoscopy	31.5%	34.6%	35.8%	40.4%	40.8%	38.9%	36.0%	43.2%	40.2%
Physical Exam	37.5%	50.9%	41.9%	44.5%	45.4%	47.2%	37.7%	39.8%	45.1%
Nephropathy	65.5%	71.8%	68.9%	68.2%	67.0%	66.9%	60.8%	58.5%	63.2%
2+A1C Tests*	44.4%	60.8%	61.1%	60.8%	59.4%	59.8%	48.6%	59.0%	53.9%
Blood Glucose	45.7%	86.2%	65.0%	81.6%	81.2%	81.0%	68.9%	75.5%	87.3%

*An A1C test measures the percentage of hemoglobin coated with sugar. It is a test for members with diabetes.

Source: Governor's Fiscal 2024 Budget Books

The goal of increasing screenings is to reduce State employee health care costs. **Exhibit 2** shows that chronic conditions of diabetes, hypertension, hyperlipidemia, heart disease, and asthma/chronic obstructive pulmonary disease make up nearly half of total plan costs. The cost of chronic conditions increased by 8.3% in calendar 2021, which was slightly slower than overall plan cost growth of 10.4%.

Exhibit 2
State Cost of Chronic Conditions
Calendar 2015-2021
($ in Millions)

Condition	2015	2016	2017	2018	2019	2020	2021
Diabetes	$118.4	$127.9	$135.2	$149.9	$152.7	$157	$166.1
Hypertension	157.4	153.7	154.3	161.6	170.1	154.3	167.5
Hyperlipidemia	66.2	62.1	60.9	62	64.1	54.7	64.5
Heart Disease	136.4	133.7	142.1	153.2	159.8	153.5	172.5
Asthma/COPD	43.7	46.8	53.4	55.8	60.8	55	51.3
Total Cost of Chronic Conditions	**$522.1**	**$524.2**	**$545.9**	**$582.5**	**$607.5**	**$574.5**	**$621.9**
% of Total Plan Costs	**48.1%**	**46.6%**	**46.5%**	**48.0%**	**48.0%**	**46.2%**	**45.3%**
Plan Costs	**$1,085.9**	**$1,124.6**	**$1,175.1**	**$1,214.9**	**$1,259.8**	**$1,243.9**	**$1,372.9**
Growth of Chronic Conditions	*4.7%*	*0.4%*	*4.1%*	*7.5%*	*4.3%*	*-5.4%*	*8.3%*
Growth of Plan Costs	*5.6%*	*3.6%*	*4.5%*	*3.8%*	*3.7%*	*-1.3%*	*10.4%*

COPD: chronic obstructive pulmonary disease

Note: Numbers include both medical and prescription claims associated with the above conditions. State Law Enforcement Officers Labor Alliance and Medicare participants are excluded.

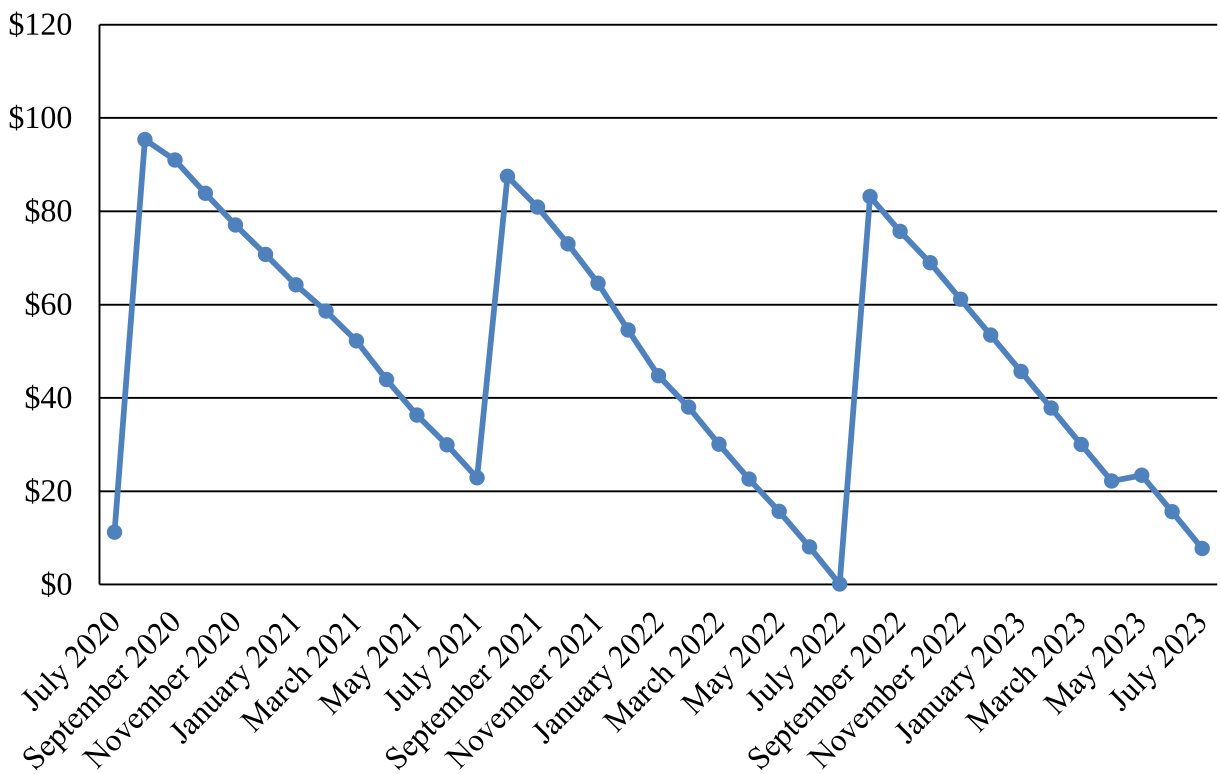
Source: Segal Advisors

Fiscal 2023 Deficiencies

The Governor's budget includes a $249.1 million ($162.6 million general funds) deficiency for the annualization of the 4.5% COLA that was effective November 1, 2022. Statewide salary actions are discussed in Issue 1 of this analysis. Due to a budgeting error, $42 million in general funds are incorrectly included in this appropriation. **The Department of Legislative Services (DLS) recommends reducing the deficiency appropriation by $42 million in general funds due to the budgeting error.**

The budget also includes a fiscal 2023 general fund deficiency of $9.1 million for an estimated deficit in the State's Injured Workers' Insurance Fund (IWIF) account, the State's workers' compensation insurance trust fund. **Exhibit 3** shows the monthly balance in the fund, including the proposed deficiency appropriation and estimates for January 2023 through July 2023 (not including investment income), after which the trust fund will be replenished with funding from the fiscal 2024 allowance. The fund reaches an estimated minimum balance of $7.7 million in July 2023; while low, it is not out of the ordinary for the fund to approach a zero balance, as it did in July 2022.

Exhibit 3
IWIF Trust Fund Balance
July 2020 to July 2023 Est.
($ in Millions)



IWIF: Injured Workers' Insurance Fund

Source: Injured Workers' Trust Fund

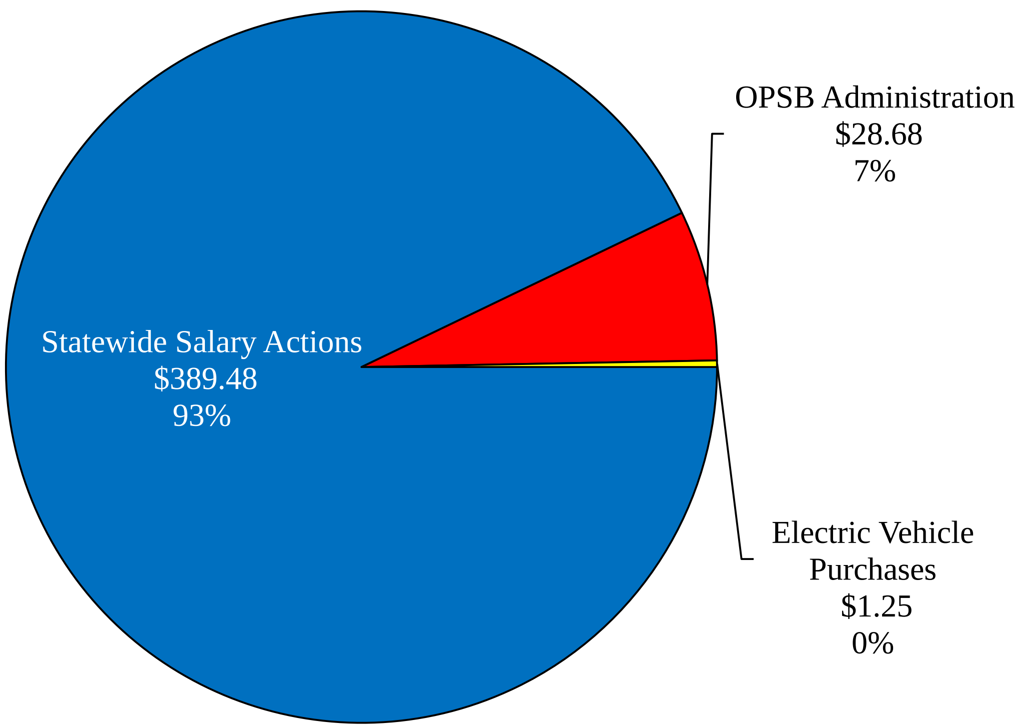
A $1 million general fund deficiency appropriation to procure a contractor to study State hiring, recruitment, and retention is included in the budget. This appropriation is further discussed in Issue 1 of this analysis.

The budget also includes a $97,663 general fund deficiency for consulting and server expenses related to the Workday human resources system. The added capacity will allow for more analysis of the data provided by the system.

Fiscal 2024 Overview of Agency Spending

Exhibit 4 provides an overview of the fiscal 2024 allowance for OPSB. Statewide salary actions make up 93% of the allowance. Funding for the administration of OPSB makes up most of the remaining 7% of the allowance. The allowance also includes $1.25 million in special funds for the purchase of electric vehicles. Chapter 565 of 2019 requires the use of funds from the Strategic Energy Investment Fund to purchase plug-in hybrid and fully electric vehicles for State agencies.

Exhibit 4
Overview of Agency Spending
Fiscal 2024 Allowance
($ in Millions)

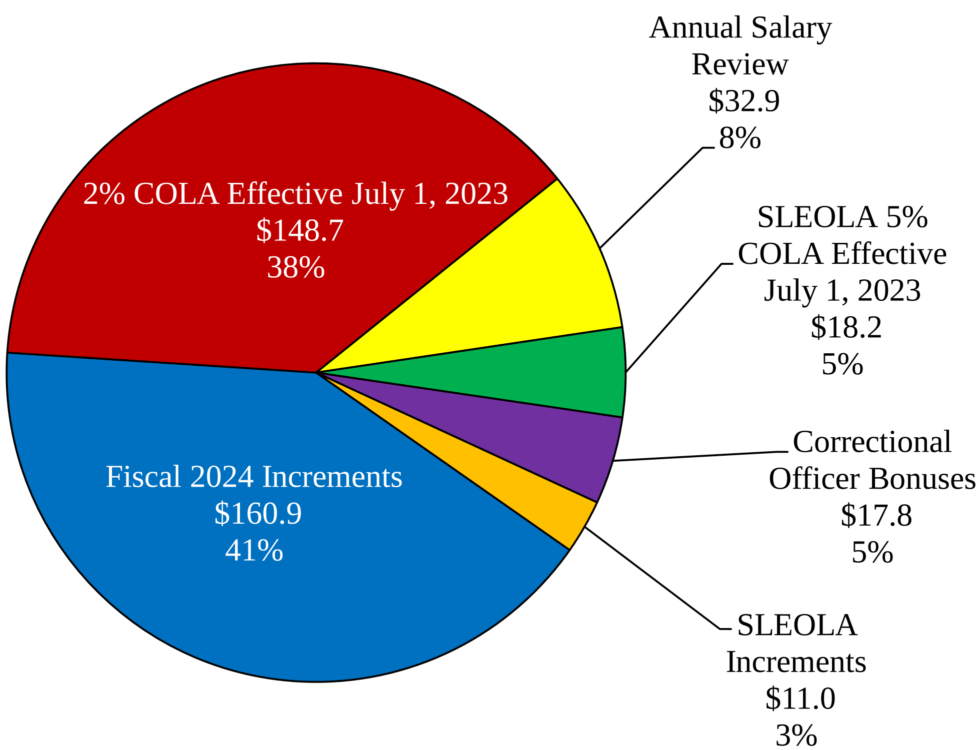


OPSB: Office of Personnel Services and Benefits

Source: Department of Budget and Management

Exhibit 5 shows the breakdown of fiscal 2024 spending in the Statewide Program, excluding the purchase of electric vehicles. The allowance includes $309.6 million for a 2% general salary increase and increments in fiscal 2024; $32.9 million for the ASR; $29.2 million for a 5% salary increase and increments for State Law Enforcement Officers' Labor Alliance (SLEOLA) represented positions; and $17.8 million for bonuses for correctional officers. The funding for statewide actions is 79% general funds. Statewide salary actions are discussed further in the Issues section of this analysis.

Exhibit 5
Statewide Program Allowance
Fiscal 2024
($ in Millions)

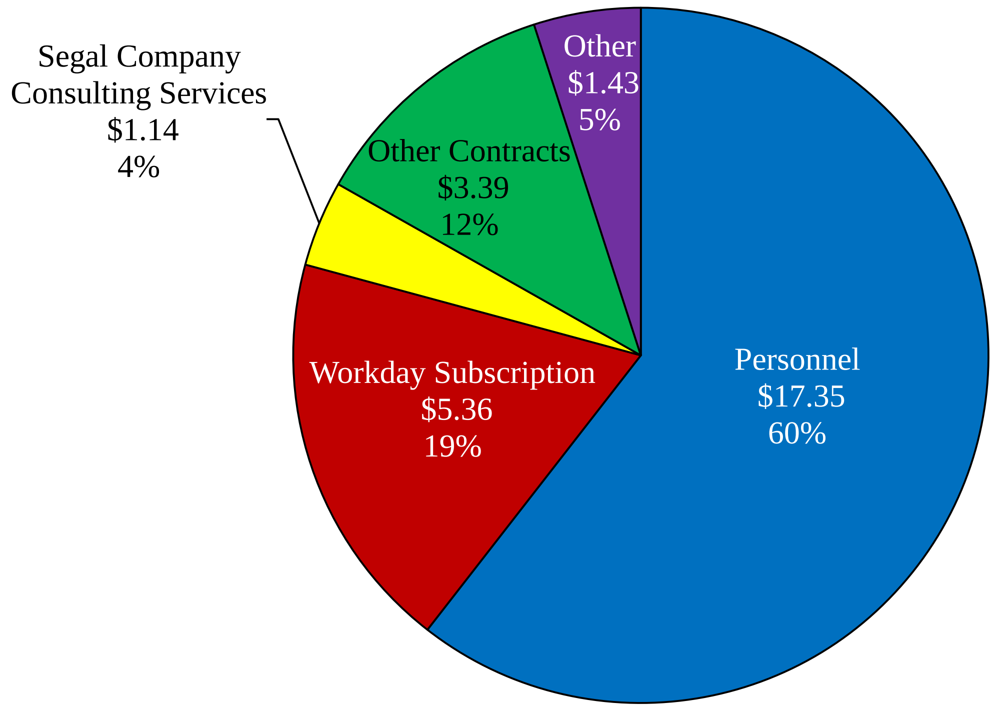


COLA: cost-of-living adjustment
SLEOLA: State Law Enforcement Officers' Labor Alliance

Source: Department of Budget and Management

Exhibit 6 shows OPSB spending in fiscal 2024 with the Statewide Program excluded. Personnel accounts for 60% of the allowance, while the Workday subscription accounts for 19% of the fiscal 2024 planned spending. The subscription is for the information technology (IT) platform on which State employee personnel human resources functions are handled.

Exhibit 6
Overview of OPSB Administrative Spending
Fiscal 2024 Allowance
($ in Millions)



OPSB: Office of Personnel Services and Benefits

Source: Governor's Fiscal 2024 Budget Books

Proposed Budget Change

As shown in **Exhibit 7**, the fiscal 2024 allowance grows by $29.4 million, or 7.5%, including fiscal 2023 deficiencies. Discussion of most of the large changes in the Statewide Program can be found elsewhere in this analysis. Within OPSB, personnel costs increase by just under $1 million; those increases are offset by the decreases from the fiscal 2023 deficiencies discussed above.

Exhibit 7
Proposed Budget
Department of Budget and Management – Personnel
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2022 Actual	$90,873	$2,993	$0	$15,725	$109,591
Fiscal 2023 Working Appropriation	283,523	71,992	16,636	17,841	389,991
Fiscal 2024 Allowance	320,237	53,439	27,157	18,571	419,405
Fiscal 2023-2024 Amount Change	$36,714	-$18,553	$10,521	$731	$29,413
Fiscal 2023-2024 Percent Change	12.9%	-25.8%	63.2%	4.1%	7.5%

Where It Goes:	Change
Personnel Expenses	
Regular earnings	$563
Employee and retiree health insurance	228
Retirement contributions	160
OPSB portion of the annualization of the Nov. 1, 2022, 4.5% COLA	111
Social Security contributions	44
Other fringe benefit adjustments	2
Turnover adjustments	-51
Other compensation	-67
Other OPSB Changes	
Fiscal 2023 deficiency for consultant to perform a statewide salary study	-1,000
Fiscal 2023 deficiency for State Personnel System maintenance	-98
Other changes	42
Statewide Program Changes	
Fiscal 2024 increments	160,876
July 1, 2023, 2% COLA	148,722
Fiscal 2024 Annual Salary Review	32,852
SLEOLA 5% COLA	18,168
Correctional officer bonuses	11,048
SLEOLA fiscal 2024 increments	11,019
Miscellaneous salary adjustments	-227
MEMSOF Fund Swap	-3,497
Fiscal 2023 deficiency for IWIF deficit	-9,079
Overbudgeted fiscal 2023 salary actions	-11,531

Where It Goes:	**Change**
Fiscal 2023 subsidy payment to health insurance account	-$80,000
Fiscal 2023 deficiency for Nov. 1, 2022, 4.5% COLA (less OPSB portion)	-248,872
Total	**$29,413**

COLA: cost-of-living adjustment
IWIF: State's Injured Workers' Insurance Fund
MEMSOF: Maryland Emergency Medical System Operations Fund
OPSB: Office of Personnel Services and Benefits
SLEOLA: State Law Enforcement Officers' Labor Alliance

Note: Numbers may not sum to total due to rounding.

Unallocated Spending in Statewide Account in Fiscal 2023

The fiscal 2023 allowance overestimated the cost of statewide salary actions by $11.7 million, of which $10.9 million is in general funds. DBM will allocate approximately $247,000 to various purposes, such as providing building guard salary increases and correcting omitted contractual increment costs in one agency. These actions would leave $10.7 million in general funds in the fiscal 2023 Statewide Program that is not allocated to any purpose. **DLS recommends reducing the fiscal 2023 deficiency appropriation in the Statewide Program by $10.7 million in general funds.**

Personnel Data

	FY 22 Actual	FY 23 Working	FY 24 Allowance	FY 23-24 Change
Regular Positions	133.60	133.60	133.60	0.00
Contractual FTEs	4.57	4.00	4.00	0.00
Total Personnel	**138.17**	**137.60**	**137.60**	**2.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.73	3.49%
Positions and Percentage Vacant as of 12/31/22	4.00	2.99%
Vacancies Below Turnover	(0.73)	

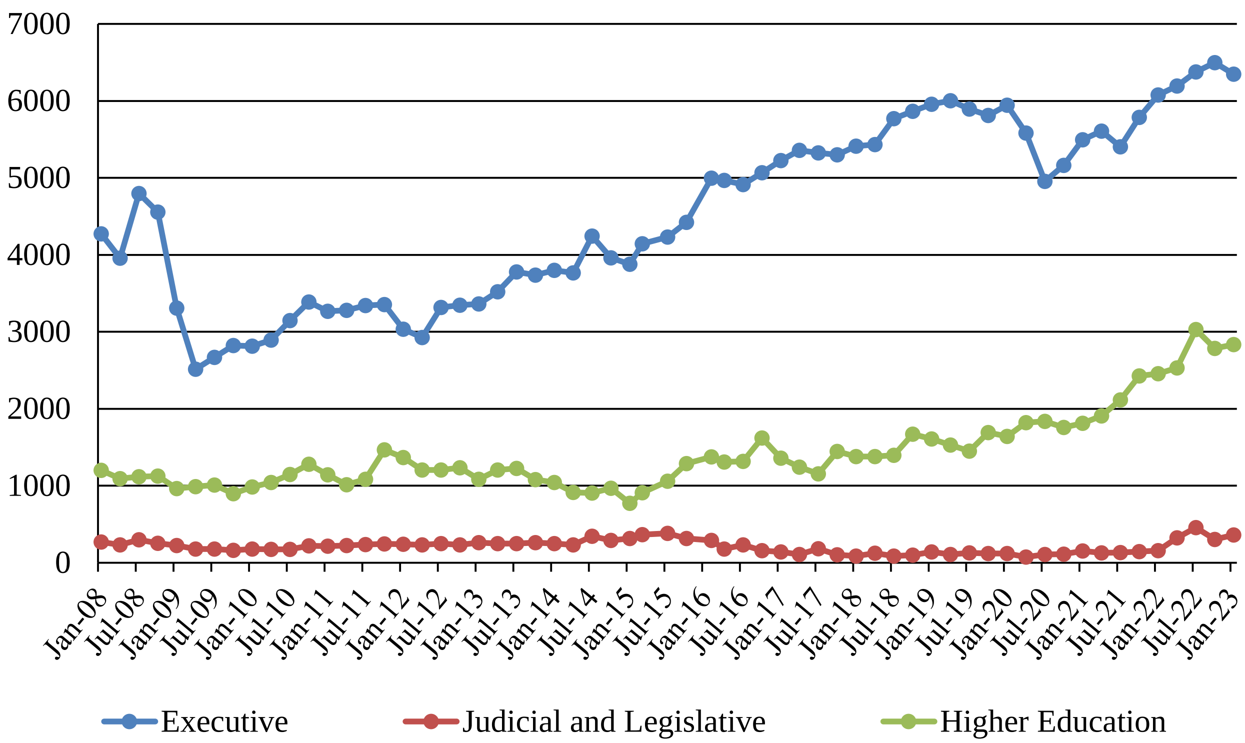
- Only 4 positions are vacant within OPSB, slightly less than required to meet its budgeted turnover rate.

Issues

1. Vacancies Continue to Plague State Government

The crisis of high numbers of vacant positions in State agencies continues to plague Maryland. As shown in **Exhibit 8**, the number of Executive Brach vacancies (excluding higher education) hit an all-time high in October 2022, when there were 6,498 unfilled State positions. With higher education and the Legislative and Judicial branches included, there were 9,542 vacant positions in January 2023.

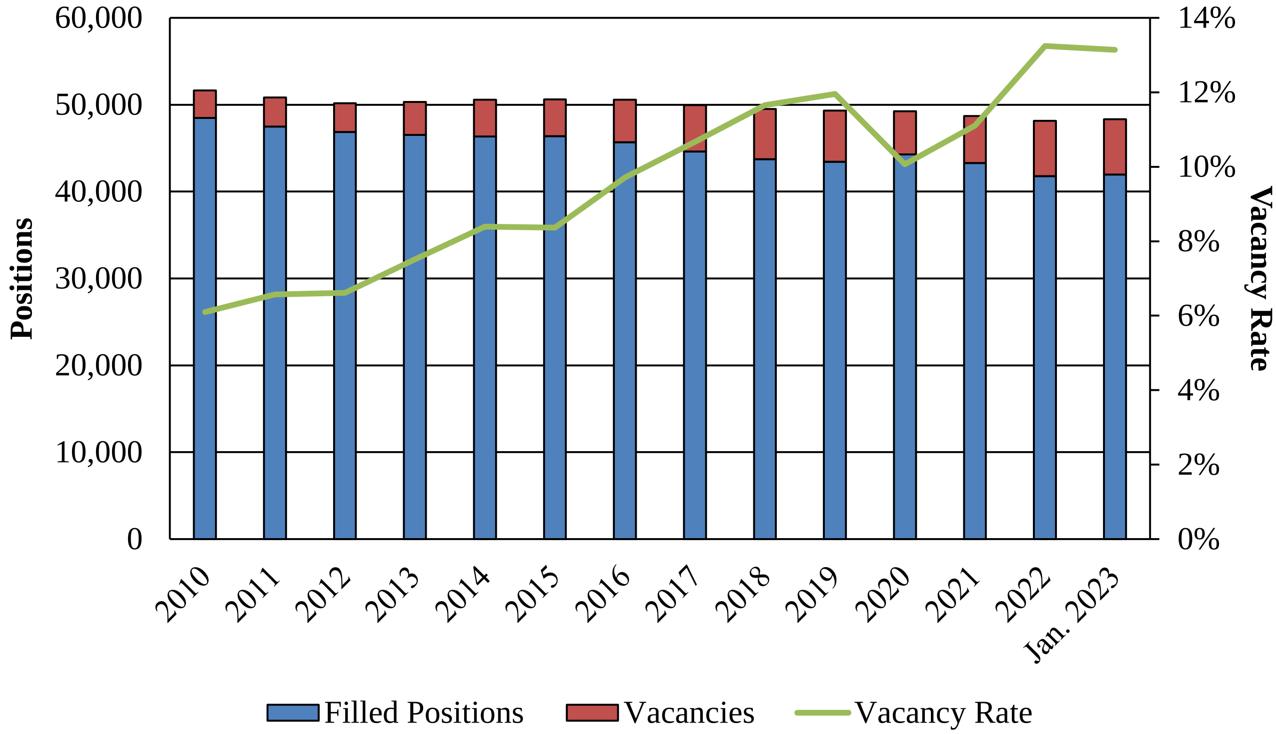
Exhibit 8
Vacant Positions
January 2008-January 2023



Source: Department of Legislative Services

The rising vacancies only tell one side of the story. The increase in the number of vacancies coincides with a slow reduction in the number of authorized positions in the Executive Branch excluding higher education, as shown in **Exhibit 9**. In 2010, 48,485 people were employed and carrying out the functions of State government; by January 2023, there were only 41,964 people employed in Maryland's Executive Brach, excluding higher education.

Exhibit 9
Filled and Vacant Positions
Calendar 2010-2023

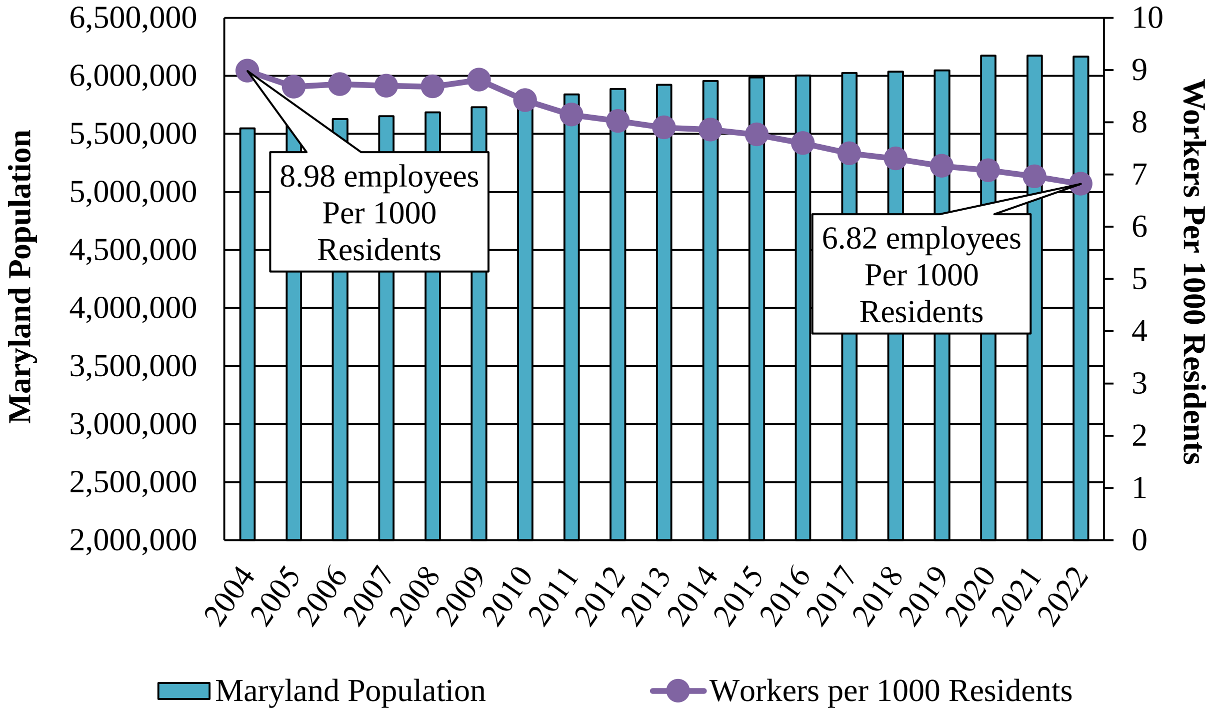


Note: Data shows positions and vacancies for June of each year except for January 2023

Source: Department of Legislative Services

The correct number of State employees is more appropriately determined at an agency level rather than at a global level. However, it is illustrative to examine the long-term shift in the overall size of the State workforce. As shown in **Exhibit 10**, the State is in a two-decade pattern of employing fewer people per resident. In calendar 2004, there were nearly 9 Executive Branch employees for every 1,000 State residents; by calendar 2022 there were 6.82 Executive Branch employees for every 1,000 State residents, a 24% decline. While the current tight national labor market is having a significant impact on the ability of agencies to hire workers, the decline in the size of the workforce is a long-lasting, ongoing phenomenon. The pattern in Maryland mirrors much of the rest of the country, where public-sector jobs never fully recovered from the Great Recession of 2007 to 2009 prior to the pandemic of 2020.

Exhibit 10
State Employees and Population
Calendar 2004-2022



Source: U.S. Census Bureau, Department of Legislative Services

The shrinking workforce does not match the State's population growth, nor does it match the additional responsibilities that are annually added to State government. Every year, legislation is enacted that creates new programs, expands existing programs, or otherwise changes the duties of the State. **Exhibit 11** shows the DLS estimate following each session of the quantifiable regular positions needed due to new legislation. The data, published annually in the Fiscal Effects report, contains only positions the department could reliably quantify. Since 2009 (which covers the impacts of legislation beginning in fiscal 2010), DLS estimated that at least 1,368 new positions would be required in the Executive Branch, excluding higher education. In that same time period, as noted above, the number of State employees in the Executive Branch excluding higher education decreased by 6,521.

Exhibit 11
Quantifiable Regular Positions Needed Due to Legislation
2009-2022 Sessions

Session	Positions Required
2009	40
2010	47
2011	34
2012	29
2013	62
2014	34
2015	39
2016	173
2017	48
2018	92
2019	119
2020	62
2021	165
2022	426
Total	**1,368**

Note: Includes Executive Branch excluding higher education

Source: Department of Legislative Services

The quantifiable need for new positions only accounts for growth in responsibilities due to legislation. It does not account for administration initiatives or the routine changes to the nature of government due to changing economic conditions, demographics, or other factors.

The impact of the worker shortfall can be found across a wide range of State agencies:

- At the State Department of Assessments and Taxation, a 14% vacancy rate limits the agency’s ability to conduct assessments, which then has knock-on effects at other agencies, such as the Property Tax Assessment Appeals Board, which has a backlog of appeals cases.

- At the Motor Vehicle Administration, high turnover reduces the quality of the agency’s provision of customer service. Vacancies impact cross-training efforts and can force customers to reschedule appointments to a different time or different branch.

- In the Department of Public Safety and Correctional Services, persistently high vacancies among correctional officers contribute to safety risks and a reduced emphasis on rehabilitation. Staffing requirements are filled by a large amount of overtime use and will cost $169 million in the fiscal 2024 allowance. While the cost to the State is concerning, it also reflects a normalization of unhealthy and unsafe conditions for officers, administrative staff, volunteers, and individuals in custody. Even higher vacancy rates among administrative staff hinders the day-to-day operations of State facilities.

- At a time of growing workload at the Maryland State Department of Education (MSDE) due to federal stimulus funds for childcare, the expansion of publicly funded prekindergarten, and the implementation of the Blueprint for Maryland's Future, the vacancy rate in the department is higher than the State average, hindering its ability to meet its responsibilities.

- The vacancy rate at the Department of Juvenile Services has grown to 16.3% and is resulting in increased overtime expenses; high vacancy levels among direct care staff are especially concerning.

- The Workers' Compensation Commission is unable to recruit the skilled employees necessary to maintain and enhance its new Comp Hub IT project, necessitating the use of costly external vendors.

- The autopsy backlog has been cleared at the Office of the Chief Medical Examiner; however, caseload levels are higher than the maximum allowed to maintain accreditation.

While it is the Legislative Branch's job to set policy, and the Executive Branch's job to enact policy, the lack of an adequate State workforce sets limits on what can be accomplished no matter the policy preferences of lawmakers.

DBM Finds Salary Scale Below Market Rate

Concerns about the size of the hole in the State workforce prompted the budget committees to request reports from DBM and MDOT on rebasing the State salary scale, in recognition of the fact that low compensation of State employees is a leading cause of high turnover. The reports agreed with legislative concerns and concluded that current pay scales are "rigid, outdated, and lower than the current market rate for employees."

The report noted a net loss of 1,115 positions in SPMS and MDOT agencies in fiscal 2022 and the first quarter of fiscal 2023 but believes recent human resources efforts as well as the November 2022 salary increase has had an impact, as there was a net gain of employees in the second quarter of fiscal 2023.

DBM provided a wide variety of options and recommendations regarding the State's vacancy problem, which are included elsewhere in this analysis. Regarding the salary scale, DBM provided two options:

- Eliminate the salary scale and use a minimum and maximum salary range for each grade, providing flexibility to hiring agencies. However, this could lead to salary inflation or issues with fairness among employees who receive differing salary increases.

- Remove steps from the salary scale, so that salary increases are larger. Cutting half of the steps from the scale would result in 4 to 5% salary increases per step, rather than 2 to 3%. The timeframe for increments could also change to provide for annual increments for newer employees, but longer gaps between increments for longer tenured employees. This option has the risk of employees "topping out" on the scale, and no longer being eligible for increment increases.

The department also noted two recent changes in salary policy:

- Recent union negotiations have resulted in a pay equity policy, under which existing employees get raises to match those of new hires if the salary of the new hire is higher due to market rates.

- There have been small changes to the salary scale: removal of lower steps primarily to accommodate the State's $15 per hour minimum wage for State employees; and the addition of two steps at high end to increase maximum salaries.

ASRs Have Impact, Lack Structure

Another tool DBM has used to attack the vacancy problem is in the provision of ASRs, which are discussed in the report regarding the salary scale, as well as a report specifically about the department's process for awarding ASRs that the budget committees requested in the 2022 session. According to DBM, either agencies or collective bargaining units may request an ASR; the administration then evaluates requests and determines ASR levels during the budget creation process.

The fiscal 2024 allowance includes $32.9 million ($25.9 million general funds) for ASRs across a wide range of classifications and agencies and provides salary increases for more than 5,900 authorized positions, as shown in **Exhibit 12**. Of those positions, nearly 20% are vacant.

Exhibit 12
Fiscal 2024 Annual Salary Review

Agency	Classifications	Salary Increase	Positions	Total Cost
Multiple	Registered Nurses	6%	1,658	$6,416,078
Office of the Public Defender	Attorneys	TBD	419	5,913,503
Office of the Attorney General	Attorneys	New scale	514	4,263,262
Maryland Department of Transportation	Emergency Response Tech, Facility Maintenance Tech, Heavy Equipment Maintenance Tech, Highway Operations Tech	6%	1,006	2,656,854
Multiple	IEPP Teachers, Principals, Coordinators	1 grade	303	2,338,406
Maryland Department of Health	Public Health Lab Scientists and Lab Tech	2 grades	165	1,804,274
Department of Public Safety and Correctional Services	Correctional Supply Officer	2-3 grades	145	1,327,406
Maryland Department of Health	Psychologists	2 grades	88	1,197,666
Maryland State Department of Education	Child Care Licensing Specialist	12%	117	1,120,691
Maryland Department of Health	Hospital CEO and COO	TBD	22	766,000
Maryland Department of Health	Medical Care Program Specialist	6%	119	571,103
Multiple	Coordinator of Special Programs	6%	484	484,728

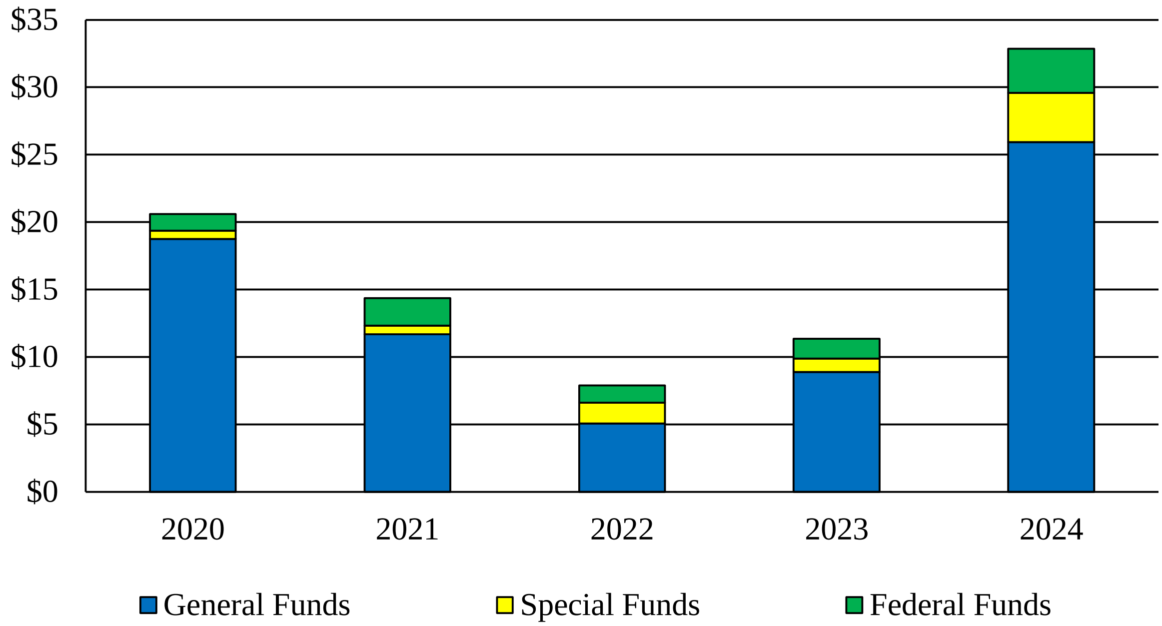
Agency	Classifications	Salary Increase	Positions	Total Cost
Maryland Department of Health	Health Policy Analyst	6%	103	$472,454
Department of Public Safety and Correctional Services	Public Safety Mental Health Professional Counselor	1-3 grades and new classification	40	408,172
Department of Natural Resources	State Park Ranger	1 grade	110	364,831
Department of Natural Resources	Park Technician	1 grade	96	280,790
Multiple	Mental Health Graduate and Professional Counselor	1-2 grades	92	280,338
Maryland Commission on Civil Rights	Civil Rights Officer	Increase to step 17	18	235,256
Maryland Department of Agriculture	Agriculture Resource Conservation Specialist	1 grade	51	229,517
State Retirement Agency	Information Technology	1-3 grades	14	199,317
Maryland Department of Transportation	Emergency Response Technician Senior	1 grade	54	186,024
Workers' Compensation Commission	Hearing Reporter, Assistant to the Commissioner, Claims Reviewer	6%	30	144,838
Multiple	Other		276	1,190,327
Total			**5,924**	**$32,851,835**

CEO: chief executive officer
COO: chief operating officer
IEPP: Institutional Educator Pay Plan

Source: Department of Budget and Management

The fiscal 2024 award is the largest in recent history and continues a five-year trend of large ASR amounts, as shown in **Exhibit 13**.

Exhibit 13
Annual Salary Reviews
Fiscal 2020-2024
($ in Millions)



Source: Department of Legislative Services

DLS studied the impact of ASRs in a report published in January 2023 titled *Evaluation of Policies to Improve State Personnel Recruitment and Retention.* The evaluation compared vacancy rates for classifications that received ASRs to classifications that did not receive an ASR. Vacancy rates for classifications that received ASRs declined by 2.4%, compared to a 0.5% growth in the vacancy rate of other classifications. While ASRs are not a cure-all, the ability to target specific areas of need can be extremely useful. However, the department does not have objective criteria for initiating the ASR process. DBM could use vacancy rates, resignation rates, or other factors to find classifications to target rather than waiting for a request. **DLS recommends that DBM develop a more proactive policy for determining classifications to award ASRs, rather than the passive policy of accepting requests from agencies and collective bargaining units.**

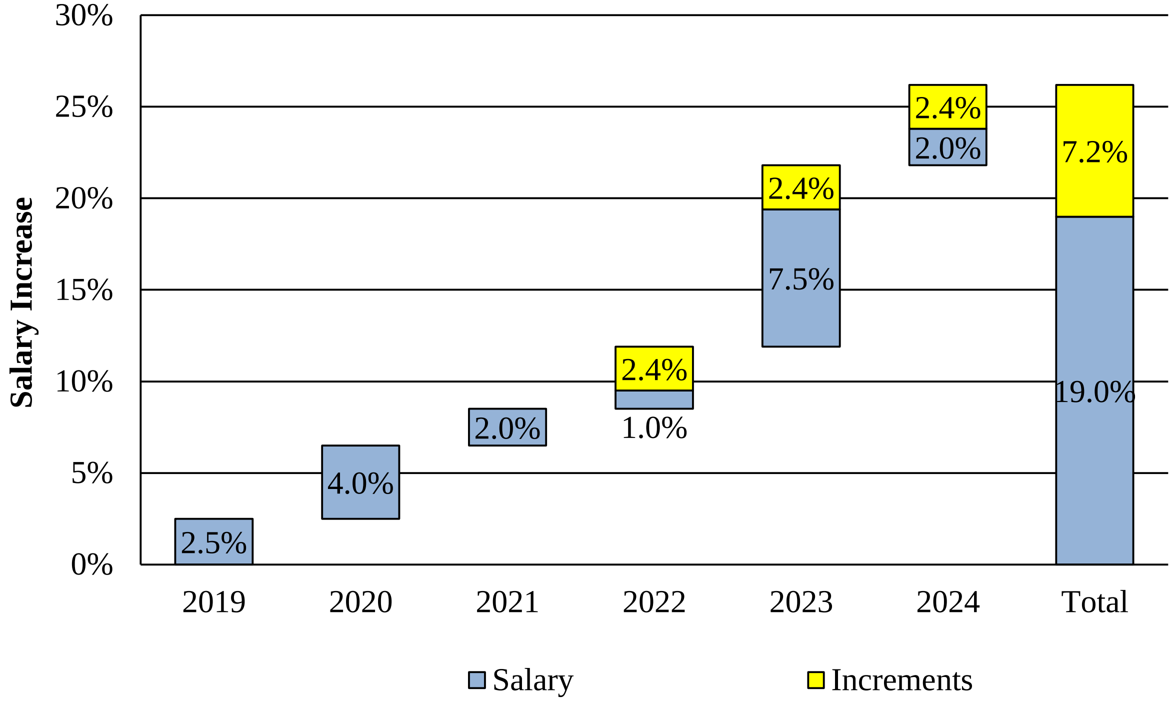
Fiscal 2024 Statewide Salary Actions

While targeted salary increases have their place, general salary increases can also assist with recruitment and retention. As noted earlier in this analysis, the fiscal 2024 allowance includes $389 million in funding for a 2% COLA effective July 1, 2023, for most employees, a 5% COLA for SLEOLA represented employees, the ASR, bonuses for correctional officers, and increments for all State employees.

The allowance includes funding to Executive Branch agencies (excluding higher education) to provide for a 7.2% vacancy rate. The budgeted turnover rate in the fiscal 2023 working appropriation is 7.6%. With current vacancy rates at 13.1%, that means Executive Branch agencies – excluding higher education – are overfunded for personnel costs by approximately $240 million in fiscal 2023 and $271 million in fiscal 2024. Therefore, it is likely that many agencies will see significant cost savings due to vacant positions. Some agencies, such as the Department of Human Services, have developed plans to use vacancy savings to improve hiring, while others do not have specific uses planned for any surplus funding from vacancies. **DLS recommends reducing the fiscal 2023 deficiency appropriation for the November 2022 4.5% COLA by $25 million in general funds to recognize savings in personnel costs due to high vacancies. DLS also recommends adding language to the budget preventing the transfer to agencies of funds for the 2% fiscal 2024 COLA until January 1, 2024, and expressing the intent of the General Assembly that funds are only transferred to those agencies that have demonstrated progress in filling vacant positions and require the funding to provide the COLA. All State employees would receive the 2% COLA as a result of this action but agencies with high vacancies could be asked to fund the COLA from their vacancy savings.**

The State has invested in salary increases in recent years, as shown in **Exhibit 14**. As of July 2023, State employees will have seen a cumulative salary increase of approximately 26.2% since fiscal 2019. SLEOLA-represented employees will have seen much more over that time period, as their negotiated salary increases were typically two to three times higher than other State employees; those that received ASRs will also have larger increases. A comprehensive look at all salary actions since fiscal 2004 can be found in **Appendix 3**.

Exhibit 14
Recent General Salary Actions
Fiscal 2019-2024



Source: Department of Legislative Services

Noncompensation Efforts to Improve Recruitment and Retention

In addition to salary increases, DBM has made other administrative changes in an attempt to improve recruitment to State employment.

- Lifted the State hiring freeze in 2021.
- Eliminated degree preferences from job announcements in order to attract candidates without advanced degrees. Candidates saw preferences for degrees as requirements and did not apply.
- Allowed agencies to fill classes at or exceeding the statewide vacancy rate in a manner similar to at-will jobs in order to speed the hiring process.
- Allowed State agencies to hire at starting salaries up to step 17, instead of step 11, without DBM approval, in order to improve recruitment of employees.

- Removed DBM requirements to verify education and experience of candidates, except where mandated by law or there is a certification requirement, in order to speed the hiring process.

Governor's Budget Includes 576 New Executive Branch Positions

In addition to the large number of vacant positions, the Governor's budget includes 576 new positions – 100 in fiscal 2023 deficiencies and 476 in the fiscal 2024 allowance – that will need to be filled. Many of the new positions are required to carry out duties enacted by legislation from the 2022 session, while others are necessary due to high or increasing workloads. **Exhibit 15** shows the added positions by department or service area.

Exhibit 15
New Positions
Fiscal 2023-2024

Department/Service Area	2023	2024	Total
Legal (Excluding Judiciary)	2	103	105
Natural Resources		82	82
Environment	9	69	78
Executive and Administrative Control	22	48	70
Health		65	65
MSDE and Other Education		38	38
Police and Fire Marshal	33	5	38
Budget and Management and Information Technology		25	25
Financial and Revenue Administration		23	23
Housing and Community Development	20	2	22
Service and Civic Innovation	14	4	18
General Services		7	7
Retirement		5	5
Executive Branch Subtotal	***100***	***476***	***576***
Judiciary		15	15
Higher Education	844	3	847
Total	**944**	**494**	**1439**

MSDE: Maryland State Department of Education

Note: Does not include nonbudgeted positions

Source: Governor's Fiscal 2024 Budget Books

Following are details of some of the larger additions included in the budget:

- ***Department of Natural Resources (DNR):*** The largest number of new positions is at DNR, which would add 82 new positions in fiscal 2024 to comply with the Great Maryland Outdoors Act (Chapter 39 of 2022), which required 90 new positions in the Maryland Park Service (15 were included in the fiscal 2023 legislative appropriation).

- ***Maryland Department of the Environment:*** The budget includes 69 new positions in fiscal 2024 related to Chapter 22 of 2022, which established inspection requirements for facilities determined to be out of compliance with water quality standards.

- ***Office of the Attorney General:*** 57 new positions, including 8 in the Medicaid Fraud unit and an expansion of the abuse and neglect unit.

- ***Office of the Public Defender:*** 43 new positions to reduce caseloads.

- ***Maryland State Police:*** 41 new positions in fiscal 2023, offset by 8 abolitions. 19 of the positions are related to Chapter 142 of 2022, which expands the department’s Gun Center – a statewide firearms enforcement center; 22 of the positions are required to support the increased responsibilities and increased caseloads of the Licensing Division, which were increased by Chapter 55 of 2022.

- ***Maryland Department of Health:*** 64.6 new positions for various divisions, including:

  - 10 in the Office of Health Care Quality to assist the office in meeting mandated inspection goals;

  - 17 in the Behavioral Health Administration, including for opioid response and recovery, community service programs, and data management and compliance; and

  - 11 contractual conversions in Medicaid.

- ***MSDE:*** The agency adds 38.5 new positions for various programs, including 16 contractual conversions in the Division of Early Childhood, and 6 IT positions related to the Child Care Tracking System.

- ***New Agencies:*** 27 new positions for new agencies, including 18 for the Department of Service and Civic Innovation; and 9 for the West North Avenue Development Authority.

Solutions Must Balance Competing Goals

A problem of the magnitude described above will likely require a wide range of solutions. **Exhibit 16** provides a non-exhaustive list of potential actions that the General Assembly or Administration could take to address the issue. A balance will need to be struck between effectiveness, expense, and equity.

Exhibit 16
Range of Options for Improving Recruitment and Retention

Area of Action	Option	Improvement Area	Pros	Cons
Compensation	Cost-of-living Adjustment	Recruiting and Retention	Broad impact	Expensive, can lead to salary compression without increments
	Increment	Retention	Broad impact, avoids salary compression	Does not directly impact recruiting
	Bonus	Retention	Relatively inexpensive	Lacks ongoing effect
	Annual Salary Review (ASR)	Retention	Can be specifically targeted	Requires additional administrative effort
	Implement min/max salary scale	Recruiting and Retention	Increased flexibility for hiring agency	Potential salary inflation, perceptions of unfairness
	Create Proactive ASR Policy	Retention	Better targeting of salary increases	Requires additional administrative effort
	Automate Salary Increases	Recruiting and Retention	Broad impact, provides certainty to employees	Expensive, lowers budgetary flexibility
	Remove Some Steps from Salary Scale	Retention	Step increases would be larger	Expensive, increases would not be annual
	Remove Limitation on Size of Raises	Retention	Removes disincentive for employees to take larger roles	Lack of recruiting impact
	Provide Longevity Pay	Retention	Rewards long-tenured employees	Not ongoing, does not impact retirement benefits
Deferred Compensation	Increase Pension Benefits	Retention	Broad impact	Expensive, lacks recruiting impact
	Supplemental Retirement Match	Retention	Relatively inexpensive	Lacks certainty of defined benefit plan, unless large match; lacks recruiting impact

Area of Action	Option	Improvement Area	Pros	Cons
Hiring policies	Change Posting Requirements	Recruiting	Can speed hiring process	Could reduce fairness and equity, requires legislative action
	Increase Human Resources Staffing	Recruiting	Can speed hiring process	Somewhat expensive, adding staff is difficult
	Decentralize Hiring Process	Recruiting	Can speed hiring process, improve agency flexibility	Could reduce fairness and equity, could harm small agencies
	Change Interview Requirements	Recruiting	Can speed hiring process	Could reduce fairness and equity, requires legislative action
Information	Compare State Salaries to Competition	Retention	Will improve focus of future salary actions	Administrative expense
	Survey Employees	Retention	Can be used to improve workplace conditions	Requires administrative effort, not always accurate
Training	Expand Job Training for Managers	Retention	Improved managers can reduce employee dissatisfaction	Requires administrative effort
	Expand Apprenticeship Programs	Recruiting	Can attract a wider pool of potential employees	Requires administrative effort, could lack broad impact
Workplace policies	Increased Telework	Recruiting and Retention	Highly valued by employees, very low cost	Can impact productivity in certain classifications
	Child Care Benefits	Recruiting and Retention	Valued by employees	Requires administrative effort, could lack broad impact
	Examine Job Sharing Programs	Retention	Can lengthen tenures of valued employees	Requires administrative effort, could lack broad impact
	Upgrade Technology	Retention	Improved workplace conditions can reduce turnover	Potentially expensive
	Tuition or Student Loan Reimbursement	Recruiting and Retention	Can target educated employees and candidates	SmartWork program did not attract significant participation

Source: Department of Legislative Services

Low compensation is the primary reason employees provide for leaving a job. Providing salary increases would likely have the most impact but is also the most expensive. For example, the cost of a 1% COLA and an increment is approximately $300 million and is an ongoing cost. These costs are exacerbated by the State's comprehensive set of health care and retirement benefits, which account for between 20% and 50% of an employee's total compensation costs. It should also be noted that what are typically called COLAs could more accurately be called general salary increases, as there is no tie to cost-of-living measures. One option proposed by DBM would create automatic salary increases based on, for example, the Consumer Price Index, which would be a true COLA. Improving retirement benefits – either pension benefits or supplemental retirement plan offerings – is also an option for improving compensation. However, candidates may not fully factor in these offerings when choosing a job, limiting their effectiveness as recruiting tools.

On the recruiting side, State hiring policies are commonly reported to create hurdles that are seen as unnecessarily slowing the hiring process. State law requires one-week notice to DBM before posting a job, and a two-week posting period. State law also lays out a scoring system that sets which candidates must be interviewed. DBM has suggested changing statute to speed the hiring process. While this could allow the State to compete with faster-moving private-sector employers, care must be taken to maintain the State's strong civil service protections. Finally, the State could aim to add more human resources staff in order to speed the hiring and onboarding process.

The State could also improve its knowledge about workplace conditions by surveying existing employees as well as departing employees. The knowledge gained could be used to stem workplace issues before they lead to resignations and also provide feedback from departing employees. The Governor's budget includes $1 million in funding to contract with an outside vendor in order to conduct a salary competitiveness survey and provide recommendations to improve State hiring, recruitment, and retention.

Other noncompensatory benefits could provide large – and relatively inexpensive – returns. The provision of child care, tuition or student loan reimbursement, or job sharing programs could all improve worker conditions and prevent resignations. Teleworking is also a major incentive for employees, who value it almost as much as compensation increases. The flip side to this is that positions in which teleworking is not an option will require higher compensation.

DLS recommends adding committee narrative requesting DBM provide the budget committees an update this interim regarding the status of the salary competitiveness survey, the State's progress in recruiting and retaining State workers, and progress toward the Governor's goal of reducing the vacancy rate by half.

2. State Taking on Larger Share of Health Costs

The Employee and Retiree Health Insurance Account is shown in **Exhibit 17**. The account closed with a year-end fund balance of $57.5 million in fiscal 2022, an increase of $14 million. After accounting for incurred but not received bills, the account closed with a deficit of $24.7 million. There is a small projected negative reserve fund balance reflected at the end of fiscal 2023 and 2024; however, the fund is balanced on a cash basis. Fiscal 2022 and 2023 included subsidies of $235 million due to higher than anticipated health care costs as well as a desire to limit the increases in employee contribution increases.

Exhibit 17
Employee and Retiree Health Insurance Account
Fiscal 2022 Actual-2024 Allowance
($ in Millions)

	2022 Actual	2023 Working	2024 Allowance
Beginning Balance	**$42.3**	**$57.5**	**$85.6**
Expenditures			
DBM – Personnel Administrative Cost	**$7.4**	**$9.4**	**$10.0**
Payments of Claims			
Medical	$1,158.8	$1,216.7	$1,277.5
Prescription	728.5	794.4	865.9
Pharmacy Rebates	-192.4	-256.8	-261.0
Dental	57.2	58.0	61.7
Contractual Employee Claims	26.7	28.6	30.7
Payments to Providers	**$1,778.8**	**$1,840.9**	**$1,974.8**
% Growth in Payments	*5.0%*	*3.5%*	*7.3%*
Receipts			
State Agencies*	$1,235.6	$1,361.4	$1,548.5
Employee Contributions*	196.3	206.1	219.3
Retiree Contributions	114.8	118.7	126.3
EGWP Subsidies and Other Revenue	80.1	101.3	93.5
Other State and Federal Subsidies	144.0	91.0	0.0
Agency Reversions	30.6	0.0	0.0
Total Receipts	**$1,801.4**	**$1,878.6**	**$1,987.6**
% Growth in Receipts	*12.5%*	*4.3%*	*5.8%*
Ending Balance	**$57.5**	**$85.6**	**$88.4**
Estimated Incurred but Not Received	**-$82.2**	**-$86.0**	**-$90.0**
Reserve for Future Provider Payments	**-$24.7**	**-$0.4**	**-$1.6**

DBM: Department of Budget and Management
EGWP: Employer Group Waiver Plan

*State agency and employee contributions include contributions for eligible contractual full-time equivalents.

Note: Costs and revenue associated with Medicare-eligible retirees are assumed through December 31, 2023.

Source: Governor's Fiscal 2024 Budget Books

Premiums for most plan members increased 5% for medical plans, 10% for prescription plans, and between 2% and 5% for dental plans, depending on the chosen plan, on January 1, 2023, after increasing by similar amounts the prior year. DBM anticipates that when rates are set for calendar 2024, the increases will be similar in size. The State agency share of contributions (excluding fiscal 2023 general and federal fund subsidies) will grow by 13.7%.

The split of employer to employee contributions to the plan agreed to by DBM and the various bargaining units is 85/15 for exclusive provider organization plans and 80/20 for preferred provider organization plans. The split in the fiscal 2024 allowance will be approximately 82/18. DBM states that it is taking on a larger share of the costs in order to limit premium increases for employees. If the State again aims for an 80/20 split, it could result in very high employee premium increases in order to "catch up" to that goal. **DBM should comment on how it will balance achieving the negotiated cost share with avoiding employee premium shocks.**

Payments to providers grew by 7.2% to $1.8 billion (including pharmacy rebates) in fiscal 2022. Medical costs, which make up the largest amount of claims costs, grew by 2.6% to $1.16 billion after a year of higher growth driven by a rebound from the COVID-19 pandemic and patients delaying or avoiding care. DBM states that there was a shift away from hospital care and toward outpatient care, which limited cost growth. Costs are projected to grow by 5.0% in fiscal 2023 and 2024.

Dental costs grew by 3.4 % to $57.2 million in fiscal 2022. DBM projects increases of 7.1% in fiscal 2023 and 7.3% in fiscal 2024.

The second largest health benefit cost is for prescription drug coverage. Net of pharmacy rebates, costs increased by 10.7% in fiscal 2022 and are projected to be flat in fiscal 2023 but then increase by 12.5% in fiscal 2024. This volatility is due to the timing of the receipt of rebate payments.

Plans to transition retirees to Medicare Part D for prescription drug coverage remain on hold as legal challenges remain unresolved. The Inflation Reduction Act (IRA) included a provision that creates a $2,000 per person out-of-pocket (OOP) cap for Medicare Part D participants. Under the assumption that the current lawsuit is ruled in favor of the State and all Medicare eligible retirees are moved off of the State prescription plan and onto Medicare Part D, State retirees who retired in calendar 2020 or later could have higher OOP costs depending on the amount and distribution of prescription drug costs in the member's family. The current OOP cap under the State plan is $1,500 for a single retiree and $2,000 for a retiree's family. Part D coverage without the IRA change did not provide a hard OOP spending cap but had an approximate OOP spending amount of $3,250 plus an additional 5% of costs above the catastrophic coverage threshold born by the enrollee. **DBM should provide an update on the status of the ongoing legal action regarding retiree prescription drug benefits.**

Employer Group Waiver Plan and federal reinsurance subsidy revenue, which grew by 23% in fiscal 2020 and 38% in fiscal 2021, declined by 31% in fiscal 2022. Similar to prescription rebates, the volatility is due to the timing of payments. **DLS recommends annual committee**

narrative to request that DBM submit medical, dental, and prescription drug utilization and cost data.

Pre-funding Other Postemployment Benefits Discussed

Members of the Spending Affordability Commission expressed interest in the potential for the State to begin pre-funding retiree health care. The State's Other Postemployment Benefit (OPEB) liability was $12.4 billion at the close of fiscal 2022. Currently, the State pays for retiree health care on a pay-as-you-go basis. Pre-funding an OPEB fund would reduce the liability significantly due to the long-term investment gains and would help maintain the State's high ratings from credit agencies.

Any estimate of what the annual cost would be to pre-fund retiree health care costs is highly sensitive to the assumptions about how the plan would be designed. Decisions about the amortization period, the discount rate, and funding goals would have large effects on the contribution amount. Under fairly generous assumptions of a 30-year amortization period, a 100% funding goal, and a 6.8% discount rate, the State's contribution annually would have been $611 million in fiscal 2022, compared to the pay-as-you-go cost of $511 million. It should be noted that the benefits of pre-funding only happen if the State consistently adheres to its policy; any decision to pre-fund should be considered a long-term commitment. **DBM should comment on the possibility of pre-funding retiree health costs.**

3. FAMLI Contributions Not Included in Allowance

Chapter 48 of 2022 established the FAMLI Program, which will provide up to 12 weeks of benefits to a covered individual who is taking leave from employment due to caring for certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment. Required contributions to the program, which are shared between employers and employees, are based on employee wages. Contributions to the program are to begin October 1, 2023, and claims for benefits are to begin January 1, 2025. However, the Governor's budget does not yet include funding for this purpose due to delays in starting up the program and setting contribution rates; it is unlikely that the program will be able to accept contributions by October 1.

When the program is able to accept contributions, the State's estimated cost for its employees will range from $19.1 million to $61.7 million annually beginning in fiscal 2025. Actual costs are dependent on final decisions about the cost share between employees and employers and the total contribution rate. Any costs incurred in fiscal 2024 would require a deficiency appropriation in the next budget. The State would also incur costs for community providers and workers earning less than $15 per hour if the minimum wage is not increased to that level. Further discussion of contributions and the status of the administration of the program can be found in the budget analysis for the Department of Labor – P00.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Health Insurance Account Closeout Report: The committees request a report on the fiscal 2023 closeout of the Employee and Retiree Health Insurance Account. This report shall include (1) closing fiscal 2023 fund balance; (2) actual provider payments due in the fiscal year broken out by medical payments for active employees, medical payments for non-Medicare-eligible retirees, medical payments for Medicare-eligible retirees, prescription drug payments for active employees, prescription drug payments for non-Medicare-eligible retirees, and prescription drug payments for Medicare-eligible retirees; (3) State employee and retiree contributions, broken out by active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees; (4) an accounting of rebates, recoveries, and other costs, broken out into rebates, recoveries, and other costs associated with active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees; (5) any closeout transactions processed after the fiscal year ended; and (6) actual incurred but not received costs.

Information Request	**Author**	**Due Date**
Report on fiscal 2023 closeout data for the Employee and Retiree Health Insurance Account	Department of Budget and Management	October 1, 2023

2. Adopt the following narrative:

Quarterly Medical, Dental, and Prescription Plan Performance: In recent years, the State has implemented different strategies to contain medical and prescription costs. The budget committees request that the Department of Budget and Management (DBM) submit quarterly reports on plan performance of the State's prescription, medical, and dental plans.

- Medical and dental reports should provide utilization and cost data broken out by plans as well as actives, non-Medicare-eligible retirees, and Medicare-eligible retirees. The reports should include utilization per 1,000 plan participants; unit cost and per member costs for hospital inpatient services; hospital outpatient services; professional inpatient services; professional outpatient services; and ancillary services, provided by the State's health plans

- Prescription reports should provide information on the highest cost prescription drugs by category of treatment; the prescription drugs accounting for the largest increases in drug spending; the top 25 most costly individual prescription drugs in generic, brand, biologics, and specialty drug categories; recent drug patent expirations; and upcoming new drug patent approvals. Additionally, the reports should include data on the cost drivers and drug trends by actives, non-Medicare retirees, and Medicare retirees.

Information Request	**Author**	**Due Dates**
Quarterly State medical, dental, and prescription drug plan performance reports	DBM	September 15, 2023 December 15, 2023 March 15, 2024 June 15, 2024

3. Adopt the following narrative:

Progress Report on Reducing the Vacancy Rate: The budget committees are interested in tracking the administration's progress in reducing the State's vacancy rate by half. The Department of Budget and Management (DBM) should provide an update to the committees detailing:

- progress made toward reducing the vacancy rate;
- the status of the planned salary competitiveness survey; and
- steps that DBM has taken or plans to take to improve State recruitment and retention of employees.

Information Request	**Author**	**Due Date**
Progress in recruitment and retention of State employees	DBM	December 1, 2023

4. Add the following language:

<u>Provided that the Department of Budget and Management (DBM) may not process a budget amendment transferring any portion of the funding to support the 2% cost-of-living adjustment (COLA) prior to January 1, 2024.</u>

<u>It is the intent of the General Assembly that the funds to support the COLA are transferred only to those agencies that have made progress in filling vacant positions and require funding to provide the COLA.</u>

Explanation: Personnel costs are overfunded by approximately $271 million based on the current vacancy and turnover rates, which will result in significant personnel cost savings. This language would delay the transfer of funds for a salary increase, and express the intent of the General Assembly that funds are only provided to agencies that make progress in filling vacant positions.

		Amount Change		Position Change
5.	Reduce the fiscal 2023 deficiency appropriation for the November 2022 4.5% cost-of-living adjustment in the Statewide Program because the cost is incorrectly estimated.	-$ 42,000,000	GF	
6.	Reduce the deficiency appropriation in the Statewide Program due to the overestimation of fiscal 2023 statewide salary action costs.	-$ 10,692,130	GF	
7.	Reduce the deficiency appropriation for the 4.5% cost-of-living adjustment that is unneeded due savings in agency budgets from the large number of vacant positions.	-$ 25,000,000	GF	

8. Add the following section:

Section XX Positions Abolished in the Budget

SECTION XX. AND BE IT FURTHER ENACTED, That no position identification number assigned to a position abolished in this budget may be reassigned to a job or function different from that to which it was assigned when the budget was submitted to the General Assembly. Incumbents in positions abolished may continue State employment in another position.

Explanation: This language prevents employees from being moved into positions abolished in the budget. It also allows that incumbents in abolished positions may continue State employment in another position.

9. Add the following section:

Section XX Injured Workers' Insurance Fund Accounts

SECTION XX. AND BE IT FURTHER ENACTED, That the General Accounting Division of the Comptroller of Maryland shall establish a subsidiary ledger control account to debit all State agency funds budgeted under subobject 0175 (Workers' Compensation) and to credit all payments disbursed to the Injured Workers' Insurance Fund (IWIF) via transmittal. The control account shall also record all funds withdrawn from IWIF and returned to the State and subsequently transferred to the General Fund. IWIF shall submit monthly reports to the Department of Legislative Services concerning the status of the account.

Explanation: This section provides continuation of a system to track workers' compensation payments to IWIF for payments of claims, current expenses, and funded liability for incurred losses by the State.

Information Request	**Author**	**Due Date**
Report on the status of ledger control account	IWIF	Monthly beginning July 1, 2023

10. Add the following section:

Section XX The "Rule of 100"

SECTION XX. AND BE IT FURTHER ENACTED, That the Board of Public Works (BPW), in exercising its authority to create additional positions pursuant to Section 7-236 of the State Finance and Procurement Article, may authorize during the fiscal year no more than 100 positions in excess of the total number of authorized State positions on July 1, 2023, as determined by the Secretary of Budget and Management. Provided, however, that if the imposition of this ceiling causes undue hardship in any department, agency, board, or commission, additional positions may be created for that affected unit to the extent that an equal number of positions authorized by the General Assembly for the fiscal year are abolished in that unit or in other units of State government. It is further provided that the limit of 100 does not apply to any position that may be created in conformance with specific manpower statutes that may be enacted by the State or federal government nor to any positions created to implement block grant actions or to implement a program reflecting fundamental changes in federal/State relationships. Notwithstanding anything contained in this section, BPW may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of man that are necessary to protect the health and safety of the people of Maryland.

BPW may authorize the creation of additional positions within the Executive Branch provided that 1.25 contractual full-time equivalents (FTE) are abolished for each regular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in contractual FTEs for at least two years. Any position created by this method may not be counted within the limitation of 100 under this section. The numerical limitation on the creation of positions by BPW established in this section may not apply to positions entirely supported by funds from federal or other non-State sources so long as both the appointing authority for the position and the Secretary of Budget and Management certify for each position created under this exception that:

(1) funds are available from non-State sources for each position established under this exception; and

(2) any positions created will be abolished in the event that non-State funds are no longer available. The Secretary of Budget and Management shall certify and report to the General Assembly by June 30, 2024, the status of positions created with non-State funding sources during fiscal 2021 through 2024 under this provision as remaining, authorized, or abolished due to the discontinuation of funds.

Explanation: This annual language, the Rule of 100, limits the number of positions that may be added after the beginning of the fiscal year to 100 and provides exceptions to the limit.

Information Request	Author	Due Date
Certification of the status of positions created with non-State funding sources during fiscal 2021 through 2024	DBM	June 30, 2024

11. Add the following section:

Section XX Annual Report on Authorized Positions

SECTION XX. AND BE IT FURTHER ENACTED, That immediately following the close of fiscal 2023, the Secretary of Budget and Management shall determine the total number of full-time equivalent (FTE) positions that are authorized as of the last day of fiscal 2023 and on the first day of fiscal 2024. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2023 and 2024, including nonbudgetary programs, the Maryland Transportation Authority, the University System of Maryland self-supported activities, and the Maryland Correctional Enterprises.

The Department of Budget and Management shall also prepare a report during fiscal 2024 for the budget committees upon creation of regular FTE positions through Board of Public Works action and upon transfer or abolition of positions. This report shall also be provided as an appendix in the Governor's Fiscal 2025 Budget Books. It shall note, at the program level:

(1) where regular FTE positions have been abolished;

(2) where regular FTE positions have been created;

(3) from where and to where regular FTE positions have been transferred; and

(4) where any other adjustments have been made.

Provision of contractual FTE information in the same fashion as reported in the appendices of the Governor's Fiscal 2024 Budget Books shall also be provided.

Explanation: This annual language provides reporting requirements for regular positions and contractual FTEs.

Information Request	Author	Due Dates
Total number of FTEs on June 30 and July 1, 2023	Department of Budget and Management (DBM)	July 14, 2023
Report on the creation, transfer, or abolition of regular positions	DBM	As needed

12. Add the following section:

Section XX Annual Report on Health Insurance Receipts and Spending

SECTION XX. AND BE IT FURTHER ENACTED, That the Secretary of Budget and Management shall include as an appendix in the Governor's Fiscal 2025 Budget Books an accounting of the fiscal 2023 actual, fiscal 2024 working appropriation, and fiscal 2025 estimated revenues and expenditures associated with the employees' and retirees' health plan. The data in this report should be consistent with the budget data submitted to the Department of Legislative Services. This accounting shall include:

(1) any health plan receipts received from State agencies, as well as prescription rebates or recoveries, or audit recoveries, and other miscellaneous recoveries;

(2) any health plan receipts received from employees and retirees, broken out by active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees;

(3) any premium, capitated, or claims expenditures paid on behalf of State employees and retirees for any health, mental health, dental, or prescription plan, as well as any administrative costs not covered by these plans, with health, mental health, and prescription drug expenditures broken out by medical payments for active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees, and prescription drug expenditures broken out by active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees; and

(4) any balance remaining and held in reserve for future provider payments.

Explanation: This language provides an accounting of the health plan revenues received and expenditures made on behalf of State employees and retirees. The language proposes that the language in the report be consistent with the budget data submitted with the budget bill.

Information Request	**Author**	**Due Date**
Accounting of the employee and retiree health plan revenues and expenditures	Department of Budget and Management	With submission of the Governor's Fiscal 2025 Budget Books

Total Net Change to Fiscal 2023 Deficiency	**-$ 77,692,130**

Appendix 1
2022 *Joint Chairmen's Report* Responses from Agency

The 2022 *Joint Chairmen's Report* (JCR) requested that DBM prepare 10 reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on a Procedure for ASRs:*** DBM stated that ASRs are typically initiated by requests from an agency or collective bargaining representative. Further discussion can be found in Issue 1 of this analysis.

- ***Report on Fiscal 2022 Closeout Data for the Employee and Retiree Health Insurance Account:*** The Employee and Retiree Health Insurance Account closed with a year-end fund balance of $57.5 million in fiscal 2022. Further discussion of this data can be found in Issue 2 of this analysis.

- ***Quarterly State Prescription Drug Plan Performance:*** Quarterly data on the State's prescription drug plan costs was provided and used to inform Issue 2 of this analysis.

- ***Quarterly Medical and Dental Plan Performance Reports:*** Quarterly data on the State's medical and dental plan costs was provided and used to inform Issue 2 of this analysis.

- ***Report on the Status of Ledger Control Account:*** Monthly reports were provided by the IWIF and were used to inform the Fiscal 2023 Deficiencies section of this analysis.

- ***Certification of the Status of Positions Created with Non-state Funding Sources during Fiscal 2020 through 2023:*** This report is due on June 30, 2023.

- ***Total Number of Full-time Equivalents on June 30 and July 1, 2022:*** DBM reported 80,654.27 authorized positions at the close of fiscal 2022 and 80,857.92 authorized positions as of July 1, 2022. Further discussion of personnel issues can be found in Issue 1 of this analysis.

- ***Report on the Creation, Transfer, or Abolition of Regular Positions:*** DBM provided data on the creation, transfer, and abolition of positions in Appendix E of the Governor's Budget Books. The data was used to inform Issue 1 of this analysis as well as many other agency analyses.

- ***Accounting of the Employee and Retiree Health Plan Revenues and Expenditures:*** DBM provided data on the Employee and Retiree Health Plan in Appendix O of the Governor's Budget Books. The data was used to inform Issue 2 of this analysis.

- ***Report on the Rebasing of Salary Scales:*** DBM and MDOT provided reports noting that State compensation is typically lower than competitors. Further discussion of these reports can be found in Issue 1 of this analysis.

Appendix 2
Audit Findings

Audit Period for Last Audit:	September 8, 2017 – October 31, 2021
Issue Date:	January 2023
Number of Findings:	6
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

Finding 1: OPSB did not attempt to recover approximately $1.2 million in liquidated damages and invalid claim payments identified during certain 2017 and 2018 audits.

Finding 2: Audits of benefit program plans and claims eligibility were not completed in a timely manner.

Finding 3: OPSB did not have comprehensive procedures to monitor and ensure that SPMS agencies addressed all outstanding payroll discrepancies. The Office of Legislative Audits' (OLA) review disclosed that agencies were not correcting discrepancies, which resulted in potentially improper payments going undetected.

Finding 4: OPSB did not have comprehensive procedures to identify employees who were terminated or left State service and were not removed from the payroll timely. OLA review disclosed that agencies were not removing these employees timely and payments were made after those employees left State service.

Finding 5: OPSB did not have a comprehensive process in place to formally monitor or periodically evaluate SPMS agency overtime and did not have guidance for agencies to manage overtime usage and justify or prepare a plan to address actions to minimize or limit excessive overtime levels. OLA identified high overtime levels at several agencies, including 549 employees whose overtime earnings consistently exceeded their regular base salary.

Finding 6: OPSB did not ensure that employees terminated with prejudice were properly recorded in the State database and were not rehired by SPMS agencies.

Appendix 3
General Salary Increases, Increments, and Other Compensation
Fiscal 2003-2024

State Employees

Fiscal Year	Date of Increase	General Salary Increase	Increments	Police, Natural Resources Police, and Park Ranger Salary Increases	Maximum Deferred Compensation Match by State	Pay-for-performance Bonuses	Annual Salary Review Reclassifications	Other
2003		None	None		$500	None	None	
2004		None	None		None	None	None	
2005	7/1/2004	$752	On time		None	None	Yes[1]	
2006	7/1/2005	1.5%	On time		$400	None	Yes[2]	
2007	7/1/2006	$900, $1,400, or 2.0%[3]	On time	2.0% extra, 9.0% extra for State police (primarily DGS and DHMH officers)	$600	None	Yes[4]	2 steps on standard salary schedule; 1 step on the physician's salary schedule
2008	7/1/2007	2.0%	On time		$600	None	None	
2009	7/1/2008	0.5%[5]	On time		$600	None	Yes[6]	2-5-day furlough enacted[7]
2010		None	None		$0	None	None	3-1-day furlough enacted[8]
2011		None	None		$0	None	None	3-10-day furlough enacted[9]
2012		None	None	Negotiated increments	$0	$750 bonus[10]	None	Furloughs ended
2013	1/1/2013	2.0%	None		$0	None	Yes[11]	
2014	1/1/2014	3.0%	4/1/2014	Negotiated increments	$0	None	Yes[12]	
2015	1/1/2015	2.0%	On time	Negotiated increments	$0	None	Yes[13]	
2016	7/1/2015	2.0%	None		$0	None	Yes[14]	

State Employees

Fiscal Year	Date of Increase	General Salary Increase	Increments	Police, Natural Resources Police, and Park Ranger Salary Increases	Maximum Deferred Compensation Match by State	Pay-for-performance Bonuses	Annual Salary Review Reclassifications	Other
2017		None	On time	Negotiated increments	$0	None	Yes[15]	
2018		None	None	Negotiated increments	$0	None	None	
2019	1/1/19; 4/1/19	2%; 0.5%[16]	None	2% and negotiated increments	$0	$500[16]	Yes [17]	
2020	7/1/19; 1/1/20	3%; 1%[18]	None	5% and negotiated increments	$0	None	Yes [19]	
2021	1/1/21	2%	None	5%	$0	None	Yes [20]	
2022	1/1/22	1%[21]	1/1/22	4% and negotiated increments	$0	$1,000/$1,500 [22]	Yes [23]	
2023	7/1/22; 11/1/22	3%; 4.5%	On time	7% and negotiated increments[24]	$0	None	Yes [25]	
2024	7/1/2023	2%	On time	5% and negotiated increments	$0	None	Yes [26]	

DGS: Department of General Services
DHMH: Department of Health and Mental Hygiene

(1) The fiscal 2005 ASR)provided upgrades for public defenders, social services attorneys, assistant general counsels (human relations), assistant State prosecutors, direct service workers in the Department of Juvenile Services, property assessors, laboratory scientists, administrative law judges, and banking financial examiners.
(2) The fiscal 2006 ASR provided a one-grade salary adjustment for the Deputy State Fire Marshal classification series.
(3) Fiscal 2007 general salary increases were $900 for employees making less than $45,000 at the end of fiscal 2006, $1,400 for employees making $70,000 or more, and 2% for those remaining.
(4) The fiscal 2007 ASR provided reclassifications and other enhancements for correctional officers and correctional support personnel, registered nurses, licensed practical nurses, direct care assistants, forensic scientists, institutional educators, administrative law judges, and teachers' aides.
(5) A 2.0% cost-of-living increase was included in the fiscal 2009 budget. However, a furlough for State employees by Executive Order 01.01.2008.20 on December 16, 2008, reduced employee salaries by an average of approximately 1.5%. General Assembly members are constitutionally exempt from furloughs.
(6) The fiscal 2009 ASR provided reclassifications and other enhancements for scientists, investigators, engineers, public defender intake specialists, veteran services, cemetery workers, call center specialists, complex tax auditors, tax consultants, retirement benefits counselors, medical care specialists, dental workers, financial regulators, deputy fire marshals, lead aviation maintenance technicians, police communications operators, and civilian helicopter pilots.

[7] State employee salaries were reduced through furlough in fiscal 2009 by Executive Order 01.01.2008.20 in December 2008. The salaries for employees earning $40,000 were reduced by the value of two days' salary; those earning between $40,000 and $59,999 were reduced by the value of four days' salary; and those earning $60,000 or above were reduced by five days' salary. Public safety positions required to maintain 24/7 facilities were exempted from the action. The result was an average salary reduction of approximately 1.5%.
[8] State employee salaries were reduced through furloughs and salary reductions in fiscal 2010 by Executive Order 01.01.2009.11 in August 2009. All employees were subject to a temporary salary reduction of five salary days, while non-24/7 employees with salaries between $40,000 and $49,999were furloughed for an additional three days, those between $50,000 and $99,999 for an extra four days; and those earning over $100,000 were furloughed for an additional five days. The result was an average salary reduction of approximately 2.6%.
[9] State employee salaries were reduced through furloughs and salary reductions in fiscal 2011 by Executive Order 01.01.2010.11 in May 2010. The structure mirrors the fiscal 2010 program.
[10] The fiscal 2012 budget provided employees with a one-time $750 bonus.
[11] The fiscal 2013 ASR provided upgrades to the following classifications: contribution tax auditors, Maryland correctional enterprise industries representative I and II, and regional managers. Two new classes were also created – nutrient management specialist III and forensic behavioral specialists.
[12] The fiscal 2014 ASR provided one grade for the following classifications: emergency medical services' communication officer staff; State Department of Assessment and Taxation assessors; personnel classifications at the Maryland Department of Health (MDH), the Department of Human Services, and the Department of Public Safety and Correctional Services (DPSCS); and civilian fixed wing pilots, aviation technicians, and inspectors at the Department of State Police. Parole and probation agents at DPSCS that are an agent 1, receive a one-grade increase, agent II and senior currently at base, step 1 or step 2 are moved up to step 3. Personnel officers in the employee relations function at DBM are moved into four-level class series.
[13] The fiscal 2015 ASR provided one grade for the following classifications: psychologist positions statewide, DBM operating and capital analysts; park technicians at the Department of Natural Resources; direct care workers and geriatric assistants at MDH; psychiatrists, alcohol and drug counselors, and criminal justice social workers at DPSCS; and loan writers at the Department of Housing and Community Development. The ASR also included funds to provide equity for the planning series at the Department of Planning and MDH and a $3,000 hire bonus and a $3,000 retention bonus for registered nurses at MDH.
[14] The fiscal 2016 ASR provided a one grade increase to wage and hour investigators and administrators at the Employment Standards and Prevailing Wage Programs at the Department of Labor, Licensing, and Regulation.
[15] The fiscal 2017 ASR provided for step increases for building security officers; a one grade increase for Department of General Services procurement officers; salary parity with detective for the warrant apprehension job series at DPSCS; step increases for Department of Housing and Urban Development fiscal staff; and polygraph operators at the Department of State Police and DPSCS.
[16] Employees received a 2% increase on January 1, 2019, and a 0.5% increase on April 1. 2019. The April salary increase, as well as a $500 bonus effective at the same time, were contingent on fiscal 2018 general fund revenues exceeding the December 2017 estimate by at least $75 million, which they did.
[17] The fiscal 2019 ASR provided for step increases for airport firefighters, security attendants and licensed practical nurses at Clifton T. Perkins Hospital, fire safety inspectors, and police communication operators.
[18] Employees received a 3% increase on July 1, 2019. With the exception of employees represented by the American Federation of State, County, and Municipal Employees (AFSCME), employees received a 1% increase on January 1, 2020.
[19] The fiscal 2020 ASR provided for a one step increase for alcohol and drug counselors, mental health professional counselors, park services associates, registered nurses, epidemiologists, and environmental compliance specialists; and salary restructures for procurement employees and correctional officers.
[20] The fiscal 2021 ASR provided for a one step increase for approximately 200 classifications, primarily in those with high vacancy rates.
[21] Members of AFSCME received an additional 1% COLA on 1/1/22.
[22] AFSCME employees that were part of a grievance against the State related to pandemic response and premium pay also received a $2,500 bonus.
[23] The fiscal 2022 ASR provides for targeted salary increases for fiscal specialists, fire protection engineers, and principals; it also increases all State employees hourly wage to at least $15 per hour.

(24) Members of SLEOLA also received the 11/1/22 4.5% salary increase.
(25) The fiscal 2023 ASR provided funding for a 6% salary increase for registered nurses who were members of AFT-Healthcare, as well as funding for salary increases for police communications operators, aircraft maintainers, and other positions.
(26) The fiscal 2024 ASR provided funding for nearly 6,000 positions across a wide range of high vacancy positions.

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

Appendix 4
Bargaining Units and Representatives
As of February 2023

Unit	Title	Exclusive Representative	Employees	Expiration Dates
A	Labor and Trades	AFSCME	1,580	December 31, 2023
B	Administrative, Technical, and Clerical	AFSCME	3,958	December 31, 2023
C	Regulatory, Inspection, and Licensure	AFSCME	711	December 31, 2023
D	Health and Human Service Nonprofessionals	AFSCME	1,168	December 31, 2023
E	Health Care Professionals	AFT-Healthcare Maryland	1,153	December 31, 2023
F	Social and Human Service Professional	AFSCME	3,701	December 31, 2023
G	Engineering, Scientific, and Administrative Professionals	MPEC	4,984	December 31, 2023
H	Public Safety and Security	AFSCME/Teamsters	7,041	December 31, 2023
H	BWI Airport Fire Fighters	International Airport Professional Firefighters Local 1742 I.A.F.F., AFL-CIO, CLC	70	December 31, 2024
I	Sworn Police Officers	SLEOLA	1,813	June 30, 2025
J	MDTA Sworn Officers	MDTA Police Lodge #34	397	June 30, 2025
		Total	**26,576**	

AFL-CIO: American Federation of Labor and Congress of Industrial Organizations
AFSCME: American Federation of State, County, and Municipal Employees
AFT: American Federation of Teachers
BWI: Baltimore/Washington International Thurgood Marshall Airport
CLC: Canadian Labor Congress
I.A.F.F: International Airport Fire Fighters
MDTA: Maryland Transportation Authority
MPEC: Maryland Professional Employees Council
SLEOLA: State Law Enforcement Officers' Labor Alliance

Source: Department of Budget and Management

Appendix 5
Object/Fund Difference Report
Department of Budget and Management – Personnel

Object/Fund	FY 22 Actual	FY 23 Working Appropriation	FY 24 Allowance	FY 23 - FY 24 Amount Change	Percent Change
Positions					
01 Regular	133.60	133.60	135.60	2.00	1.5%
02 Contractual	4.57	4.00	4.00	0.00	0%
Total Positions	**138.17**	**137.60**	**139.60**	**2.00**	**1.5%**
Objects					
01 Salaries and Wages	$ 94,723,737	$ 118,190,733	$ 406,833,247	$ 288,642,514	244.2%
02 Technical and Special Fees	255,937	263,188	253,491	-9,697	-3.7%
03 Communication	63,420	740,350	740,350	0	0%
04 Travel	2,763	19,300	19,300	0	0%
07 Motor Vehicles	2,992,940	1,250,000	1,250,000	0	0%
08 Contractual Services	9,832,105	9,853,878	9,895,716	41,838	0.4%
09 Supplies and Materials	7,700	65,000	65,000	0	0%
10 Equipment – Replacement	0	110,400	110,400	0	0%
12 Grants, Subsidies, and Contributions	1,500,000	0	0	0	0.0%
13 Fixed Charges	212,227	227,504	237,010	9,506	4.2%
Total Objects	**$ 109,590,829**	**$ 130,720,353**	**$ 419,404,514**	**$ 288,684,161**	**220.8%**
Funds					
01 General Fund	$ 90,872,792	$ 110,790,459	$ 320,236,720	$ 209,446,261	189.0%
03 Special Fund	2,992,940	1,250,000	53,439,220	52,189,220	4175.1%
05 Federal Fund	0	839,207	27,157,374	26,318,167	3136.1%
09 Reimbursable Fund	15,725,097	17,840,687	18,571,200	730,513	4.1%
Total Funds	**$ 109,590,829**	**$ 130,720,353**	**$ 419,404,514**	**$ 288,684,161**	**220.8%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 6
Fiscal Summary
Department of Budget and Management – Personnel

Program/Unit	FY 22 Actual	FY 23 Wrk Approp	FY 24 Allowance	Change	FY 23 - FY 24 % Change
01 Executive Direction	$ 9,345,606	$ 9,737,710	$ 9,939,929	$ 202,219	2.1%
02 Division of Employee Benefits	7,044,996	8,702,052	8,906,972	204,920	2.4%
04 Division of Employee Relations	4,548,575	5,334,450	5,951,420	616,970	11.6%
06 Division of Classification and Salary	2,065,105	2,268,343	2,321,606	53,263	2.3%
07 Division of Recruitment and Examination	1,182,395	1,379,730	1,556,066	176,336	12.8%
08 Statewide Expenses	83,904,152	103,298,068	390,728,521	287,430,453	278.3%
09 SmartWork	1,500,000	0	0	0	0%
Total Expenditures	**$ 109,590,829**	**$ 130,720,353**	**$ 419,404,514**	**$ 288,684,161**	**220.8%**
General Fund	$ 90,872,792	$ 110,790,459	$ 320,236,720	$ 209,446,261	189.0%
Special Fund	2,992,940	1,250,000	53,439,220	52,189,220	4175.1%
Federal Fund	0	839,207	27,157,374	26,318,167	3136.1%
Total Appropriations	**$ 93,865,732**	**$ 112,879,666**	**$ 400,833,314**	**$ 287,953,648**	**255.1%**
Reimbursable Fund	$ 15,725,097	$ 17,840,687	$ 18,571,200	$ 730,513	4.1%
Total Funds	**$ 109,590,829**	**$ 130,720,353**	**$ 419,404,514**	**$ 288,684,161**	**220.8%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.