SB 609 St. Mary's COLA

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Patrick Moran - President

Testimony

SB 609 Higher Education - St. Mary's College of Maryland – Cost-of-Living Adjustment

SB 609 changes the funding formula for St. Mary's College to provide 100% funding for any Cost-of-Living Increase (COLA) provided to state employees. Currently, their formula calls for only 50% funding. St. Mary's is the only higher education institution that is treated this way. The University System of Maryland and Morgan State University currently receive 100% of the cost of the state employee COLA.

This funding formula was at least an improvement from the previous one which had no allowance for COLA's. In 2017, St. Mary's argued that increases in benefits and compensation were increasing at a higher rate than revenues. However, instead of bringing St. Mary's up to the level of COLA funding as USM and Morgan, legislation only provided the smaller 50% amount.

The problem now is that in Collective Bargaining negotiations with AFSCME Local 3980, St. Mary's administration seeks to limit the COLA increases to 50% of whatever state employees get. In FY 2020, for example, when state employees received a 3% COLA in July of 2019, St. Mary's proposed a 1.5% at the bargaining table. Through negotiations, it was eventually increased to 2% but it was delayed by 3 months – bringing the fiscal year costs back down to 1.5%.

Our members work very hard to support St. Mary's. At this point, they can't help but think that they are being treated as second class citizen since they are the only institution in the state of Maryland put in this predicament. We urge you to support these employees and provide 100% funding for COLA's at St. Mary's College.

We urge you to provide a favorable report.

SB609 St. Marys College COLA FAV
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SPONSOR STATEMENT

Senate Bill 609 – Higher Education – St. Mary's College of Maryland – Cost-of-Living Adjustment

February 19, 2020

Mister Chairman and Members of the Budget and Taxation Committee:

In 2017 the Maryland General Assembly passed Senate Bill 434 which altered the funding formula for St. Mary's College. At that time, it was acknowledged that St. Mary's had challenges in keeping up with the escalating costs of both benefits and raises for state employees. These expenses were both significant drivers of expense growth. The St. Mary's funding formula was adjusted to provide for full funding of benefits and 50% funding for cost-of-living adjustments (COLA's).

Although it was not stated in the law, it was the thinking at the time that the 50% funding of COLA's by the state would be supplemented by 50% from St. Mary's College. This has not always been the case and the funding formula is in danger of becoming the ceiling instead of the floor. In FY 2020, when state employees received a 3% COLA in July of 2019, St. Mary's argued for a 1.5% at the bargaining table. Eventually, a 2% increase was agreed on; however, it was delayed by 3 months. In effect, that meant a less than a 2% increase for that fiscal year.

Continuing with this funding formula perpetuates an inequity among our state employees. Senate Bill 609 will alter the funding formula and require the state to fund 100% of cost-of-living adjustments at St. Mary's College. This change will ensure that employees at St. Mary's College receive the same percentage increase in COLAs as their counterparts in other public higher education institutions.

I respectfully request a favorable report on Senate Bill 609.

DBM_INFO_SB609
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SENATE BILL 609 Higher Education-St. Mary's College of Maryland-Cost-of-Living Adjustment (King, et al)

STATEMENT OF INFORMATION

DATE: February 19, 2020

COMMITTEE: Senate Budget & Taxation Committee

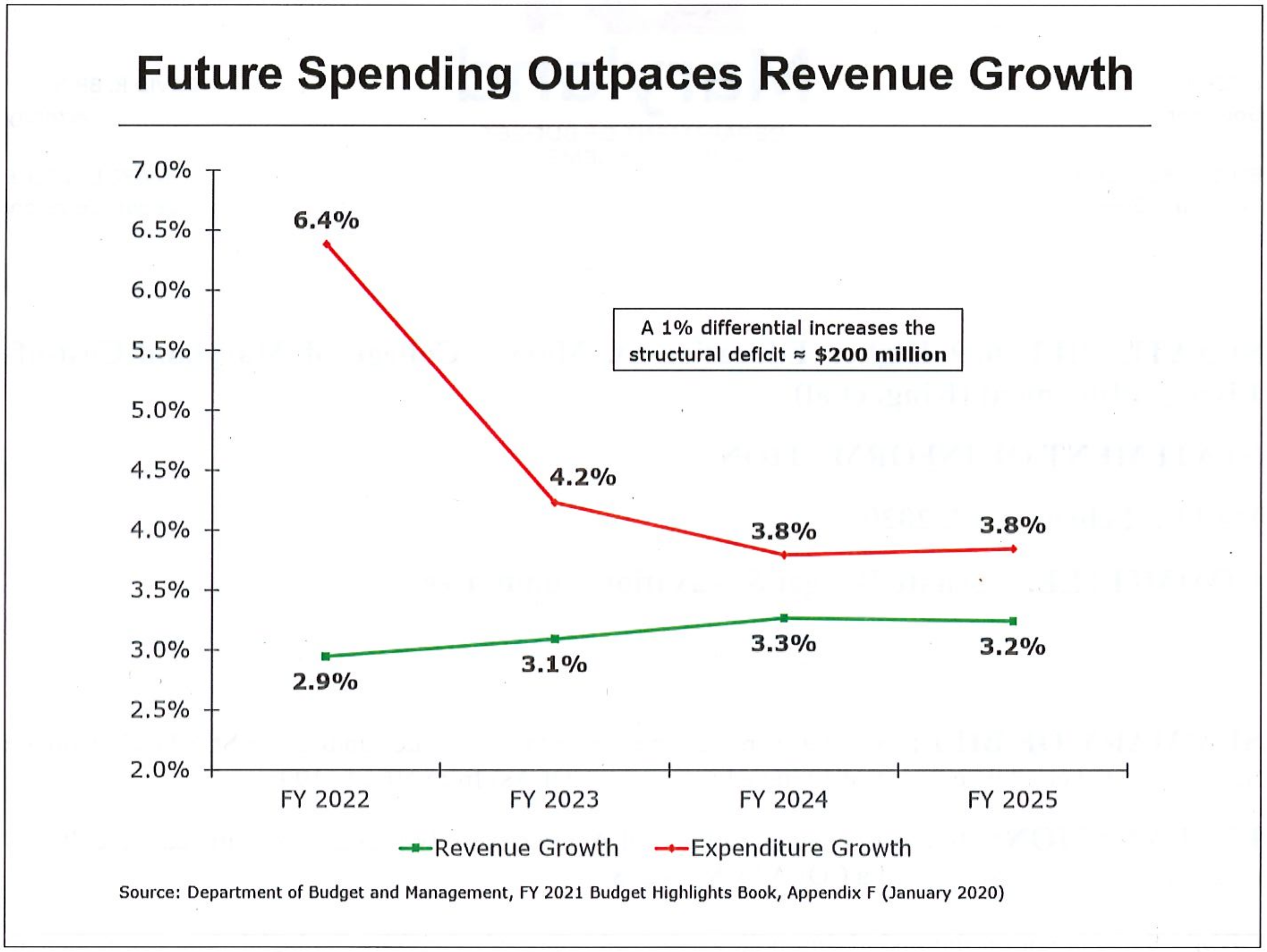
SUMMARY OF BILL: SB 609 increases the percentage of State funding for St. Mary's College State supported employees' cost-of-living adjustments (COLAs) from 50% to 100%.

EXPLANATION: By way of example, a 1% COLA, effective July 1, 2021 would increase the State's cost to provide 100% support of a COLA by $139,258.

DBM's focus is not on the underlying policy proposal being advanced by the legislation, but rather on whether the aggregate increased spending is sustainable when spending growth continues to exceed revenue growth.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues. Actions by the General Assembly to increase entitlement spending levels makes it exceedingly difficult for the Administration to achieve structural balance.

The FY 2022 General Fund forecast shows spending growth of 6.4%, whereas revenue growth is forecast to be 2.9%. Growth in State spending will outpace otherwise healthy revenue growth not only next year, but also for the foreseeable future. The result is a short and long-term structural gap that will continue to strain State resources until the underlying causes have been resolved.



General Fund Budget Outlook
Fiscal 2022 - 2025

	Est. 2022	Est. 2023	Est. 2024	Est. 2025
Cash Balance	-$833	-$1,135	-$1,201	-$1,298
Structural Balance	-$701	-$905	-$984	-$1,071

Department of Legislative Services, January 2020 Fiscal Briefing

For FY 22 – FY 25, the cumulative impact of an ongoing imbalance between spending and revenues is a $3.6 billion structural gap. Our structural budget problem reflects a spending problem; not a revenue problem.

The ever-increasing use of mandates and entitlement spending by the General Assembly is a more recent practice, making the State's structural budget deficit a chronic challenge. According to the Department of Legislative Services (DLS), 70.2% of the FY 2020 General Fund allowance is mandated or entitlement spending.

Until we achieve long-term structural balance, programs cannot rely on a consistent funding level. Constituencies for these proposed programs or enhanced spending bills should be forewarned that passage of this legislation does not guarantee future funding. Whatever specific funding is mandated will likely be repealed or otherwise modified in a subsequent Budget Reconciliation and Financing Act (BRFA) – this action is necessary to ensure a constitutionally required balanced budget in the next fiscal year.

The Administration is cognizant of the downside risks facing our economy and, in the FY 2021 Budget, has set aside $1.3 billion in reserves. The Rainy Day Fund balance is equal to 6.25% of revenues, $48 million more than recommended by the Spending Affordability Committee (SAC). Moody's Analytics has recently advised of a slowdown in employment growth in the latter part of FY 2021, which DLS estimates would add $241 million to the structural budget gap in FY 2021 and $419 million in FY 2022. Historic increases in funding for both K-12 education, as proposed by the Kirwan Commission, and school construction will further aggravate the budget gap.

The 2019 SAC commentary encourages a cautious fiscal approach -- **"Out-year fiscal stress is anticipated despite the expectation that personal income and employment will continue to grow steadily, and entitlement and prison caseloads will hold steady or decline. An imbalance is forecast before accounting for any recommendations from the Commission on Innovation and Excellence in Education."**

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