

**F10A02
Personnel
Department of Budget and Management**

Operating Budget Data

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$19,085	\$11,438	\$47,430	\$35,992	314.7%
Contingent & Back of Bill Reductions	0	-122	-77	45	
Adjusted General Fund	\$19,085	\$11,316	\$47,353	\$36,038	318.5%
Special Fund	31	1,602	8,411	6,809	425.1%
Adjusted Special Fund	\$31	\$1,602	\$8,411	\$6,809	425.1%
Federal Fund	0	228	5,035	4,807	2107.1%
Adjusted Federal Fund	\$0	\$228	\$5,035	\$4,807	2107.1%
Reimbursable Fund	6,942	7,112	7,553	441	6.2%
Adjusted Reimbursable Fund	\$6,942	\$7,112	\$7,553	\$441	6.2%
Adjusted Grand Total	\$26,058	\$20,258	\$68,352	\$48,094	237.4%

- The fiscal 2015 allowance increases by \$48.1 million, or 237.4%, compared to the fiscal 2014 working appropriation. It should be noted that a 2% statewide general salary increase and annual salary review costs are centrally budgeted, with \$53.9 million budgeted for those two items.
- Once adjusting for the centrally budgeted items, the allowance decreases. This decrease is largely due to one-time Injured Worker's Insurance Fund payments in fiscal 2014, as well as the contingent and across-the-board reductions to health insurance and pension contributions.
- The increases in the allowance are largely for agency staff costs and those associated with the fiscal 2015 open enrollment for health insurance.

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

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Personnel Data

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>
Regular Positions	115.50	115.50	116.50	1.00
Contractual FTEs	<u>1.80</u>	<u>2.70</u>	<u>1.70</u>	<u>-1.00</u>
Total Personnel	117.30	118.20	118.20	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.89	2.50%
Positions and Percentage Vacant as of 12/31/13	4.00	3.46%

- The fiscal 2015 allowance does include 1.0 contractual conversion. Other than that change, the fiscal 2015 personnel complement is unchanged.
- The fiscal 2015 budgeted turnover rate is 2.5%, requiring 2.9 vacant positions. As of December 31, 2013, the agency had 4.0 vacant positions for a vacancy rate of 3.5%.

Analysis in Brief

Major Trends

Personnel Transaction Tallies Reverse Recent Declines: From fiscal 2008 to 2011, there were declines in personnel transactions (such as hiring, reclassifications, and promotions). The decline began to reverse in fiscal 2012, and there were increases in fiscal 2013, particularly for reclassifications. The trend of increasing personnel transactions appears to be continuing through the first six months of fiscal 2014.

Issues

Overview of State Employee Compensation: When comparing the fiscal 2015 allowance to the fiscal 2014 legislative appropriation, spending on employee salaries and fringe benefits increases approximately \$233 million, or 3.1%. The increase in salaries and wages is entirely related to the cost of annualizing fiscal 2014 salary increases as well as fiscal 2015 salary increases. These increases are offset by reductions to health insurance and the pension reinvestment in fiscal 2014 and 2015. Due to the way compensation increases are provided in fiscal 2015, there are additional costs in fiscal 2016. **The Department of Legislative Services (DLS) recommends that budget bill language be added specifying that the cost-of-living adjustment (COLA) for State employees be 1% effective July 1, 2014, eliminating the annualization cost in fiscal 2016. In addition, DLS recommends adding a section to the budget bill that states eligible employees will receive the merit increase starting October 1, 2014, or April 1, 2015, reducing the allowance by \$34.7 million in all funds to reflect the delay.**

Statewide Position Changes: The fiscal 2015 allowance has 80,927.0 total positions, including 795.0 new positions and 80.0 position abolishments. When adjusting for the allowable exclusions for contractual conversions (181.1 positions) and positions to address legislative audit findings (10.0 positions), the allowance does meet the Spending Affordability Committee's recommendation for new positions. **DLS recommends that 300.0 vacant positions be abolished and \$20 million in general funds be reduced from agency budgets through a section in the back of the bill to help address the general fund structural deficit.**

Employee and Retiree Health Insurance: In fiscal 2014 and 2015, State spending on health insurance declines as a sizable fund balance that developed in fiscal 2013 is spent. The excess fund balance is also shared with employees/retirees who will have premium holidays in fiscal 2014 and 2015. The increase in the fund balance was due to expenditures declining in fiscal 2013, due in part to plan design changes that resulted in more participants using the exclusive provider organization plan. **DLS recommends that a provision to the Budget Reconciliation and Financing Act of 2014 be added specifying that State employees receive two premium holidays in fiscal 2014 and retirees receive one premium holiday in fiscal 2014. DLS also recommends adding budget bill language to reduce State agency spending on health insurance by \$10.5 million in all funds for fiscal 2015. Finally, DLS recommends that the agency discuss its**

plan to provide health insurance to eligible contractual employees and that committee narrative be adopted to require a report from the Department of Budget and Management with contractual employee enrollment data.

Health Insurance Plan Design Changes Are Set to Happen: With the next open enrollment, the State intends to introduce a new plan design that will reduce the number of providers, eliminate the point-of-service plan, add an Integrated Health Model plan, and provide wellness incentives to both providers and participants. The wellness provisions of the plan are perhaps the most novel aspect of the plan and include potential surcharges for participants if certain activities are not performed, as well as provider incentives. **DLS recommends that the agency discuss its planned outreach to employees about the plan design changes to health insurance for the next enrollment period.**

Workforce Planning: In the next 10 years, 53.0% of employees in the Executive Branch, excluding the Maryland Department of Transportation and the University System of Maryland will be eligible for retirement. This is an increase of 7.7 percentage points compared to a similar study in 2005. Due to the upcoming loss of institutional knowledge, it is important for agencies to begin workforce planning. **DLS recommends that the Department of Budget and Management provide a broad update on where agencies are with workforce planning and what additional efforts are in place to avoid the loss of knowledge due to employee retirement/turnover.**

Recommended Actions

1. Add budget bill language specifying that the general salary increase is to fund a 1% increase as of July 1, 2014.
2. Add language to include the General Assembly and Judiciary in the fiscal 2014 health insurance reduction.
3. Add language to include the General Assembly and Judiciary in the fiscal 2014 statewide reduction to the Personnel System.
4. Add language to include the General Assembly and the Judiciary in the fiscal 2014 deficiency for the pension reinvestment reduction.
5. Amend Section 19 to include the General Assembly and Judiciary in the fiscal 2015 across-the-board health insurance reduction.
6. Amend Section 20 to include the General Assembly and Judiciary in the pension reinvestment reduction.
7. Adopt committee narrative requesting a report on contractual employee health insurance.

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8. Add a section to delay the start of merit increases in fiscal 2015 to October 1, 2014, and April 1, 2015.
9. Add a section for the annual Rule of 100 limit on position creation.
10. Add a section for annual language on position reporting.
11. Add a section for annual language requiring Executive Pay Plan reporting.
12. Add a section on annual language restricting the movement of employees into abolished positions.
13. Add a section on annual language requiring reporting on employee health insurance receipts and spending.
14. Add budget bill language deleting 300 vacant positions.
15. Add a section of budget bill language to reduce agency health insurance spending.

Updates

New Collective Bargaining Agreement: The State reached a one-year agreement with its respective bargaining units. The financial considerations in the new agreement include a 2% COLA on January 1, 2015; merit increases on July 1, 2014; four additional health insurance premiums in calendar 2014; and the continuation of service reduction days.

Other Post Employment Benefits Liability Decreases: The unfunded liability for other post employment benefits (OPEB) decreased in fiscal 2013 by \$1.3 billion to \$8.1 billion. The decrease in the liability is due to similar assumption changes relating to plan demographics and valuation. The pay-as-you-go funding for the OPEB liability represented 62% of the State's annual required contribution.

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Personnel
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Operating Budget Analysis

Program Description

The Office of Personnel Services and Benefits (OPSB) provides policy direction for the human resources system established by the State Personnel and Pensions Article through its oversight of the State Personnel Management System (SPMS). All positions in the Executive Branch of State government are in the 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 the SPMS. The executive director manages OPSB and administers State personnel policies and the health benefits program. Specific functions within OPSB include salary administration and classification, recruitment and examination, employee relations, employee benefits, and medical services. OPSB shares responsibility with State agencies for the administration of personnel functions through policy development, guidance, and interpretation.

Performance Analysis: Managing for Results

1. Personnel Transaction Tallies Reverse Recent Declines

OPSB's Managing for Results measures deal with the statewide employee retention rate and settlement of grievance and disciplinary appeals. Data on activities of OPSB is available in quarterly data that the Department of Budget and Management (DBM) has provided to the Department of Legislative Services (DLS) regarding the various transactions overseen by the agency in the course of its duties as the central administrator of statewide personnel issues.

Exhibit 1 lists the major personnel transactions in the SPMS since fiscal 2008. The transactions involving hiring totals and career advancement figures are listed in the upper portion of the table and are followed below by those dealing with separation from State service. There are several trends to note about the career track figures.

- Appointments, or new hires, increased to almost 3,300 in fiscal 2013. This is still significantly lower than the peak of fiscal 2008, but hiring has recovered after the recession. It is anticipated that this number will continue to increase, as there are 786 new positions in the fiscal 2015 allowance.
- Promotions have remained relatively constant since 2009 but did increase slightly in fiscal 2013.

Exhibit 1
Personnel Activities for State Employees
As of June 30 of Each Year
Fiscal 2008-2014

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>
Career Track							
Appointments	4,482	3,794	2,720	3,310	3,125	3,268	1,949
Reinstatements	582	382	346	302	219	281	152
Transfers	382	365	269	285	224	399	134
Promotions	3,836	2,678	2,596	2,240	2,439	2,651	1,254
Reclassifications	2,683	1,130	1,410	1,522	221	729	634
Demotions	360	252	253	225	222	237	114
Subtotal	12,325	8,601	7,594	7,884	6,450	7,565	4,237
Separations							
Deceased	75	49	73	56	48	47	19
Failure to Report for Duty	88	45	27	28	28	30	14
Layoffs/Filled Position Abolition	10	102	123	3	10	63	4
Leave of Absence	140	80	83	70	74	64	19
Resignations	2,782	1,767	1,626	1,838	1,669	1,805	892
Retirements	1,625	1,146	1,474	1,797	992	1,170	473
Terminations	333	318	482	224	216	236	94
Terminations on Probation	128	133	87	118	93	96	44
Subtotal	5,181	3,640	3,975	4,134	3,130	3,511	1,559

* Through January 1, 2014.

Source: Department of Budget and Management

- Reclassifications increased in fiscal 2013 but are still low relative to prior fiscal years. In fiscal 2014 and 2015, reclassifications should increase due to funding of annual salary reviews (ASR) in each year.

As it relates to separations, the major trends were:

- In fiscal 2013, resignations increased slightly but were below what the historical average had been prior to the recession. Given the difficulty of finding alternative employment, it is not surprising this number is low, but it could increase in the coming fiscal years as the economy improves.

- Retirements increased in fiscal 2013. As will be discussed later, a sizable portion of the State workforce is approaching retirement age. With improvements in the economy, workers may feel more prepared to retire from the State workforce.

Fiscal 2014

There are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology system, and retirement reinvestment. These actions are fully explained in this analysis, as well as in the analyses for the Department of Information Technology and the State Retirement Agency (SRA).

Fiscal 2015

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in this analysis and the analysis of SRA.

Proposed Budget

The fiscal 2015 allowance increases \$48.1 million compared to the fiscal 2014 working appropriation, as shown in **Exhibit 2**. The reason for the increase is the budgeting of two statewide allocated costs. The first is the budget of a general salary increase of 2% starting January 1, 2015, for State employees that totals \$51.2 million. The other item is an annual salary review totaling \$2.6 million. These increases are offset by a decrease in worker's compensation claims due to an additional \$3.0 million that was included in fiscal 2014 to cover prior year claims.

The other increases in the allowance are for ongoing personnel-related expenditures and costs associated with actuaries and audits for the health insurance plan and additional materials for open enrollment in fiscal 2015.

Exhibit 2
Proposed Budget
Department of Budget and Management – Personnel
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2014 Working Appropriation	\$11,316	\$1,602	\$228	\$7,112	\$20,258
2015 Allowance	<u>47,353</u>	<u>8,411</u>	<u>5,035</u>	<u>7,553</u>	<u>68,352</u>
Amount Change	\$36,038	\$6,809	\$4,807	\$441	\$48,094
Percent Change	318.5%	425.1%	2107.1%	6.2%	237.4%

Where It Goes:

Personnel Expenses

Annualized salary increase	\$298
Departmental salary increases.....	154
Retirement contribution	130
New positions	73
Other fringe benefit adjustments.....	-29
Employee and retiree health insurance	-57
Turnover adjustments	-99
Workers' compensation premium assessment	-3,015

Statewide Expenses

Statewide general salary increase	47,829
Statewide annual salary review.....	2,619

Other Changes

Actuary and auditing costs.....	130
Materials for health insurance open enrollment.....	50
Costs for technology system used for enrollment over phone	41
Other	-30

Total **\$48,094**

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Issues

1. Overview of State Employee Compensation

The changes to statewide employee compensation in the fiscal 2015 allowance relative to the fiscal 2014 legislative appropriation are detailed in **Exhibit 3**. Total proposed personnel spending in the allowance increases by \$232.9 million over fiscal 2014 levels to \$7,730.2 million, a growth of 3.1%. The proposed increases are largely for the annualization of fiscal 2014 salary actions and additional salary actions in fiscal 2015. The major salary actions include the following:

- Annualizing the cost of the 3% general salary increase from January 1, 2014, (\$87.9 million) and the increment provided on April 1, 2014, (\$108.0 million) in fiscal 2015.
- A 2% general salary increase on January 1, 2015, totaling \$51.5 million. These funds are centrally budgeted in DBM and are to be transferred to non-higher education agencies with general funds (\$22.6 million), special funds (\$8.3 million), and federal funds (\$4.9 million), as well as to higher education institutions (\$15.6 million in additional general funds).
- An increment to State employees either on July 1, 2014, or January 1, 2015. The fiscal 2015 allowance includes \$126.5 million to fund the increment with the funding provided for in each agency's budget. The fiscal 2015 increments are required by statute and were included in the collective bargaining agreement (CBA) from January 2011. Increments were last budgeted in fiscal 2009. **Appendix 2** details statewide salary actions undertaken during the previous decade.
- When adjusting for the contingent reductions to the pension reinvestment in fiscal 2014 and 2015, retirement contributions increase by \$44.6 million. The increase is based upon the actuarially determined contribution rates.
- There are 786.0 new positions in the allowance, which are estimated to cost approximately \$38.0 million. It should be noted that 181.1 of these positions are contractual conversions, so there is a corresponding reduction in spending for contractual employees.
- The fiscal 2015 allowance includes funding for ASRs totaling \$2.6 million. ASRs represent adjustments in salary classifications that DBM and department staff have jointly targeted for improved compensation to facilitate the State's compensation for qualified applicants in the labor market. **Exhibit 4** provides a summary of the ASRs by agency.

Exhibit 3
Regular Employee Personnel Changes
Fiscal 2014 Legislative Appropriation to Fiscal 2015 Allowance

2014 Legislative Appropriation	\$7,497.3
Fiscal 2014 Pension Reinvestment Reduction	-22.7
Fiscal 2014 Health Insurance Reduction	-49.6
Fiscal 2014 Deficiencies	7.6
Adjusted 2014 Appropriation	\$7,432.5
Salary Changes	
Annualize 3% General Salary Increase January 1, 2014	\$87.9
Annualize Merit Increase from April 1, 2014	108.0
Merit Increase on July 1, 2014	126.5
2% General Salary Increase January 1, 2015	51.5
Additional Assistance	-25.7
Overtime	11.2
Annual Salary Review	2.6
Salary Adjustments	1.0
Turnover Adjustments	-6.2
Accrued Leave Payout	2.8
Position Based Changes	
New Positions	38.0
Abolished Positions	-6.4
Fringe Benefits	
Fiscal 2015 Net Change in Health Insurance	-83.1
Retirement Contributions after reduction	44.6
Workers' Compensation Claims	2.8
Other miscellaneous adjustments	5.0
Fiscal 2015 Adjusted Allowance	\$7,793.5
Total Change	361.0
Percent Change	4.8%

Note: Excludes nonbudgeted agencies. Excludes fiscal 2014 deficiencies except for reductions to health insurance and retirement. The fiscal 2015 allowance is adjusted for the across-the-board reductions to health insurance and retirement.

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

Exhibit 4
Annual Salary Review Adjustments by Classification
Fiscal 2015 Allowance

<u>Agency</u>	<u>Classification</u>	<u>Change</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimb. Funds</u>	<u>Total Funds</u>
MDP and DHMH	Planner Series	Pay equal to DNR Planners	\$2,862	\$0	\$0	\$8,473	\$11,335
Statewide	Psychologist Positions	1 grade increase	379,290	0	40,522	0	419,812
DBM	DBM Operating and Capital Budget Analysts	1 grade increase	55,725	0	0	0	55,725
DNR	Park Technicians		0	48,978	0	0	48,978
DHMH	Direct Care Workers and Geriatric Assistants	1 grade increase	762,914	0	0	0	762,914
DHMH	Registered Nurses (RN) – Facilities-	Reinstate \$3,000 hire bonus and \$3,000 retention bonus for 24/7 facility RN positions	1,083,114	0	7,006	0	1,090,120
DPSCS	DPSCS Physician Program Mgr III (Psychiatrists)	1 grade increase	16,961	0	0	0	16,961
DPSCS	DPSCS A/D Counselors	1 grade increase	66,181	0	0	0	66,181
DPSCS	DPSCS Social Worker, Criminal Justice	1 grade increase	119,698	0	0	0	119,698

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<u>Agency</u>	<u>Classification</u>	<u>Change</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimb. Funds</u>	<u>Total Funds</u>
DHCD	Loan Underwriter Series	1 grade increase and blanket above base up to step 20	0	47,141	6,417	0	53,558
Total			\$2,486,745	\$96,119	\$ 53,945	\$8,473	\$2,645,282

DBM: Department of Budget and Management
 DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DNR: Department of Natural Resources
 DPSCS: Department of Public Safety and Correctional Services
 MDP: Maryland Department of Planning

Source: Department of Budget and Management

While there are a number of increases to salaries, there are three large reductions that help to offset those cost increases. Specific actions include the following:

- Pension reinvestment payments are reduced by \$22.7 million in fiscal 2014 and \$33.4 million in fiscal 2015. As was discussed in the SRA budget analysis, the Administration’s budget proposes to reduce the amount of the pension savings reinvestment from \$300.0 million to \$200.0 million in conjunction with the Budget Reconciliation and Financing Act of 2014.
- Health insurance spending is reduced by a net amount \$83.1 million in fiscal 2015. As will be discussed later, the health insurance account had a sizable fund balance that the Administration is spending in fiscal 2014 and 2015. Underlying health insurance expenditures continue to grow and will increase again in fiscal 2016.
- Additional assistance decreases by \$25.7 million. Most of the decrease is attributed to the Maryland Transit Administration (MTA) ending its practice of using additional assistance to fund temporary bus drivers as they wait to become full-time employees.

Fiscal 2016 Costs

Based upon what is currently budgeted in fiscal 2015, there are already certain known cost increases that will occur in fiscal 2016. By providing a mid-year general salary increase and ASR, the fiscal 2016 allowance will also need to provide funding for the other half year of that cost. The

fiscal 2016 annualization cost for these two salary actions is \$54.1 million in all funds. In the short term, a mid-year increase reduces the amount of cash in the current year but also creates additional funding requirements in the next year.

A similar version of this delay in costs is happening with health insurance. By spending down the excess fund balance in fiscal 2014 and 2015, the amount of funding needed for the ongoing cost of health insurance will increase in fiscal 2016. For illustrative purposes, DBM has included \$67 million of general funds in its long-term general fund forecast for the increased cost. **DLS recommends that budget bill language be added specifying that the cost-of-living adjustment (COLA) for State employees be 1% effective July 1, 2014, eliminating the annualization cost in fiscal 2016. In addition, DLS recommends adding a section to the budget bill that states eligible employees will receive the merit increase starting October 1, 2014, or April 1, 2015, reducing the budget by \$34.7 million in all funds to reflect this delay. Combined, this reduces the annualization costs in fiscal 2016 and helps to address the general fund structural deficit.**

2. Statewide Position Changes

The Spending Affordability Committee (SAC) set a position cap of 80,688 regular full-time equivalents (FTE) across State government for fiscal 2015 but positions could be created and exempt from the limit for the following purposes (1) to increase the number of correctional officer positions (up to 100); (2) to increase the number of public defenders and related personnel in response to the *DeWolfe v Richmond* decision (up to 333); (3) to allow for the conversion of contractual employees; and (4) to address deficiencies identified in legislative audits.

Exhibit 5 provides a summary of the position changes from the fiscal 2014 working appropriation to the fiscal 2015 allowance. In total, the allowance includes 80,927.0 positions, an increase of 1,094.0 positions from the fiscal 2014 legislative appropriation. In fiscal 2014, higher education institutions used their flex personnel autonomy, as defined by Chapters 239 and 273 of 2004, to create 346.0 positions. Also, 34.7 positions were created by the Board of Public Works (BPW) during fiscal 2014. Additional BPW-created positions include 10.0 additional State Police Medevac helicopter pilots, 10.0 positions at MTA for weekend service and additional commuter bus service, 10.0 positions at the Department of Housing and Community Development for positions to deal with energy efficiency as a result of the sale of Constellation Energy, 4.5 positions to implement campaign finance reform legislation, and a 0.2 position for correctional education.

There also 9 positions included as a deficiency appropriation in fiscal 2014, with 8 positions added to the State Lottery and Gaming Control Agency to assist with the opening of the Baltimore City facility and 1 security position. There is 1 position at the Department of Health and Mental Hygiene (DHMH) as well, for the opening of the new lab. Details on the position changes can be found in **Appendix 3**.

Exhibit 5
Regular Position Changes
Fiscal 2014 Legislative Appropriation to Fiscal 2015 Allowance

Department/Service Area	<u>Leg App 2014</u>	<u>BPW/ Flex Adjust.</u>	<u>Transfer</u>	<u>New</u>	<u>Working Approp. 2014</u>	<u>Transfer</u>	<u>Abolished Positions</u>	<u>New Positions</u>	<u>Allowance 2015</u>	<u>Increase 2014-15</u>
Health and Human Services										
Health and Mental Hygiene	6,406	0	0	1	6,407	0	-14	20	6,413	6
Human Resources	6,529	0	0	0	6,529	0	-30	3	6,502	-27
Juvenile Services	2,077	0	1	0	2,078	0	0	0	2,078	0
Subtotal	15,012	0	1	1	15,014	0	-44	23	14,993	-21
Public Safety										
Public Safety and Correctional Services	11,046	0	0	0	11,046	0	-4	109	11,151	105
Police and Fire Marshal	2,414	10	0	0	2,424	1	0	25	2,450	26
Subtotal	13,460	10	0	0	13,470	1	-4	134	13,601	131
Transportation	8,774	10	0	0	8,784	0	0	372	9,156	372
Other Executive										
Legal (Excluding Judiciary) Executive and Administrative Control	1,503	2	0	0	1,505	0	0	0	1,505	0
Financial and Revenue Administration	1,633	3	-1	0	1,635	-1	0	13	1,646	12
Budget and Management and IT	441	0	0	0	441	0	0	7	448	7
Retirement	205	0	0	0	205	0	0	0	205	0
General Services	580	0	0	0	580	0	0	14	594	14
Natural Resources	1,295	0	0	0	1,295	0	-1	11	1,305	10
Agriculture	383	0	0	0	383	0	0	2	385	2
Labor, Licensing, and Regulation	1,646	0	0	0	1,647	0	-9	4	1,641	-5

Department/Service Area	<u>Leg App 2014</u>	<u>BPW/ Flex Adjust.</u>	<u>Transfer</u>	<u>New</u>	<u>Working Approp. 2014</u>	<u>Transfer</u>	<u>Abolished Positions</u>	<u>New Positions</u>	<u>Allowance 2015</u>	<u>Increase 2014-15</u>
MSDE and Other Education	1,972	0	1	0	1,973	0	0	10	1,984	10
Housing and Community Development	327	10	0	0	337	0	0	4	341	4
Business and Economic Development	224	0	-2	0	222	0	-2	0	220	-2
Environment	937	0	0	0	937	0	0	21	958	21
Subtotal	13,192	15	-2	8	13,213	-1	-15	144	13,340	127
Executive Branch Subtotal	50,437	35	-1	9	50,480	0	-64	673	51,089	609
Higher Education	25,010	346	0	0	25,355	0	-16	0	25,339	-16
Judiciary	3,639	0	0	0	3,639	0	0	113	3,752	113
Legislature	748	0	0	0	748	0	0	0	748	0
Grand Total	79,834	380	-1	9	80,222	0	-80	786	80,928	706

BPW: Board of Public Works
 IT: information technology
 MSDE: Maryland State Department of Education

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

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

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The fiscal 2015 allowance includes 786.0 new positions, with most of the new positions concentrated in MDOT (372.0 positions), the Judiciary (113.0 positions), and the Department of Public Safety and Correctional Services (DPSCS) (109.0 positions with 100.0 for correctional officers). Of the new positions created, 181.1 positions are long-term contractual conversions, with 10.0 positions at the State Department of Assessments and Taxation to address legislative audit findings. When accounting for the contractual conversions, legislative audit findings, and the 100.0 correctional officers, the Administration has met the SAC recommendation. **Appendix 4** provides detail on the SAC personnel calculation.

The fiscal 2015 allowance also includes 80 vacant positions that were abolished. **Appendix 5** provides a comparison of the fiscal 2014 working appropriation compared to the vacancies as of February 2014. **DLS recommends that 300 vacant positions be abolished and \$20 million in general funds be reduced from agency budgets through a section in the back of the bill to increase the fund balance in fiscal 2015.**

Contractual Full-time Equivalents

Contractual FTEs decreased by 105.0, as shown in **Exhibit 6**. The decline is attributed to the conversion of 181.1 contractual positions. Most of the contractual conversions occur in the Motor Vehicle Administration (76.5 positions) and the Judiciary (38.0 positions). The high number of contractual conversions this year is due in part to the SAC exclusion but also from the Administration responding to agency concerns about retaining staff that had been performing ongoing work and concerns from the budget committees. The increase in contractual FTEs is attributed to higher education, the Department of Natural Resources, and the State Police.

Exhibit 6 Contractual Full-time Equivalent Positions Fiscal 2013 Actual to Fiscal 2015 Allowance

Department/Service Area	<u>2013 Actual</u>	<u>2014 Working</u>	<u>2015 Allowance</u>	<u>2014-15 Change</u>
Health and Human Services				
Health and Mental Hygiene	348	400	411	11
Human Resources	99	83	83	0
Juvenile Services	162	140	157	17
<i>Subtotal</i>	<i>609</i>	<i>623</i>	<i>651</i>	<i>28</i>
Public Safety				
Public Safety and Correctional Services	303	398	395	-4
Police and Fire Marshal	29	30	63	33
<i>Subtotal</i>	<i>332</i>	<i>428</i>	<i>458</i>	<i>29</i>

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Department/Service Area	<u>2013 Actual</u>	<u>2014 Working</u>	<u>2015 Allowance</u>	<u>2014-15 Change</u>
Transportation	124	131	41	-91
Other Executive				
Legal (Excluding Judiciary)	38	61	61	-1
Executive and Administrative Control	162	216	182	-34
Financial and Revenue Administration	68	66	54	-12
Budget and Management	13	19	19	0
Retirement	17	17	17	0
General Services	0	33	32	-2
Natural Resources	488	399	432	33
Agriculture	36	41	38	-2
Labor, Licensing, and Regulation	281	286	274	-12
MSDE and Other Education	312	339	306	-33
Housing and Community Development	86	90	72	-18
Business and Economic Development	16	19	18	-1
Environment	29	62	47	-15
Subtotal	1,545	1,647	1,552	-95
Executive Branch Subtotal	2,609	2,829	2,702	-127
Higher Education	6,516	6,169	6,208	39
Judiciary	446	446	433	-13
Grand Total	9,572	9,444	9,339	-105

MSDE: Maryland State Department of Education

Note: Numbers may not sum due to rounding.

Source: Department of Budget and Management

3. Employee and Retiree Health Insurance

Looking Back to Fiscal 2013

One of the ways that the fiscal 2015 allowance is balanced is due to sizable reductions to State agency spending for health insurance. Earlier, Exhibit 3 showed the reductions to health insurance in both fiscal 2014 and 2015. Spending on health insurance could be reduced because a sizable fund

balance in the State Employee Health and Welfare Benefits Fund had accumulated. **Exhibit 7** compares fiscal 2013 projected revenues and spending to the actual to help explain how this occurred.

Exhibit 7
Fiscal 2013 Health Insurance Account Closeout
(\$ in Millions)

	<u>2013 Projected</u>	<u>2013 Actual</u>	<u>Variance</u>
Beginning Balance	\$173.4	\$173.4	\$0.0
Expenditures			
DBM – Personnel Administrative Cost	\$7.3	\$6.8	-\$0.5
Payments of Claims			
Medical	855.8	809.5	-46.3
Mental Health	20.1	14.0	-6.1
Prescription	364.3	346.4	-17.9
Dental	45.9	46.6	0.7
Contractual	0.0	0.0	0.0
Payments to Providers	\$1,293.4	\$1,223.3	-\$70.1
Receipts			
State Agencies	\$1,000.0	\$1,033.6	\$33.6
Employee Contributions	168.5	167.3	-1.2
Retiree Contributions	76.5	85.2	8.7
Prescription Rebates, Recoveries, and Other	22.8	37.0	14.2
Injured Workers’ Insurance Fund	21.0	21.3	0.3
Net Direct Pay/Satellite	0.0	-6.7	-6.7
Federal Health Reform Reinsurance	0.0	0.0	0.0
Total Receipts	\$1,288.8	\$1,337.7	\$48.9
Ending Balance	\$168.8	\$287.8	\$119.0
Estimated Incurred but Not Received	-\$99.5	-\$99.5	\$0.0
Reserve for Future Provider Payments	\$69.3	\$188.3	\$119.0

DBM: Department of Budget and Management

Source: Department of Budget and Management

As shown, the fund balance was \$119.0 million more than originally anticipated. The main reason for this is that provider payments were \$70.1 million less than expected. Medical claims decreased by \$39.7 million, or 3.1%, compared to fiscal 2012. This decline in health care spending reflects savings from the plan design changes made in fiscal 2013 and reflects broader State and national trends.

In fiscal 2013, as part of a broader effort to generate savings from health insurance, in-network coinsurance was added to the preferred provider organization (PPO) and the point of service (POS) plans. This increased the cost of insurance to users with an out-of-pocket maximum of up to \$1,000 for an individual and \$2,000 for a family. The exclusive provider organizations (EPO) plans were not included in the change, presumably as a way to provide participants a 100% coverage option. It was anticipated that the inclusion of coinsurance would result in individuals moving away from the PPO and POS and into the EPO plan. The inclusion of coinsurance also reduced the amount paid by the State in claims. As shown in **Exhibit 8**, the migration that was anticipated has occurred. From fiscal 2012 to 2014, participants in the EPO plan for active and retired employees increased 149%.

Exhibit 8
Enrollment and Average Cost Per Enrollee Comparison
Active and Retired Employees
Fiscal 2012-2014

	Enrollment			Average Cost Per Enrollee		
	<u>2012</u>	<u>2014*</u>	<u>Difference</u>	<u>2012</u>	<u>2013</u>	<u>Difference</u>
Preferred Provider Organization	62,010	49,066	-12,944	\$15,093	\$14,367	-\$726
Point of Service	31,103	22,130	-8,973	14,963	13,445	-1,518
Exclusive Provider Organization	16,063	40,053	23,990	14,114	15,440	1,326
Total	109,176	111,249	2,073	\$14,785	\$14,261	-\$524

* Through September 2013.

Source: Department of Budget and Management

The migration of individuals to the EPO plan also has implications for the average cost of the plans offered per enrollee. As shown in Exhibit 8, the average cost per enrollee went down in fiscal 2013 by \$524 across all plans. This decline in the average cost per enrollee is reflected in the decline of fiscal 2013 claims. While the cost of the EPO plan has increased, the increase is offset by

the savings in the PPO and POS plan from coinsurance payments, as well as the State not having to pay out-of-network costs for EPO participants.

Through the first quarter of 2014, which represents the second year of the design changes, the migration of participants into the EPO plan has continued. This is particularly true with active employees, where the number of participants in the EPO plan is now greater than the PPO plan. For retirees, most appear to have stayed in the PPO plan, which is not surprising, given that it is a supplemental plan to Medicare.

As it relates to medical claims trends, the State's health insurance plan experienced a decline in more costly inpatient hospital patient utilization, while less expensive outpatient spending remained level from fiscal 2012 to 2013, similar to statewide trends. Inpatient hospital admission rates have been decreasing, and the average length of stay has also been decreasing. The favorable trend in outpatient spending is attributed to plan design changes that discouraged the use of out-of-network care (out-of-network costs fell 50% in fiscal 2013) and coinsurance requirements for enrollees in the PPO and POS plan which reduced State costs. Prescription drug costs dropped due to a 2% decline in the number of prescriptions filled and a significant shift from expensive brand name drugs to generics.

Receipts were \$48.9 million higher than expected. Premium payments from retirees and State agency payments were higher than expected, which accounted for part of the increase. There is an offset in fiscal 2014 because of accounting issues with the State agency payments in fiscal 2013. Prescription drug rebates and recoveries also provided more revenue than expected.

Fiscal 2014 and 2015 Forecast

At the end of fiscal 2013, there was approximately \$188.3 million in excess fund balance that could be spent down. Through negotiations with the unions, the fund balance was shared between the State and employees/retirees who pay premiums. Currently, the State as the employer, covers approximately 80% of the cost of health insurance, with employees/retirees covering the remaining 20%.

For employees and retirees, the excess fund balance is to be distributed through premium payment holidays totaling approximately \$42.5 million. Every fiscal year there are two premium payment holidays for State employees. In fiscal 2014, there are to be two additional premium payment holidays and two more in the first six months of fiscal 2015 (or four total in calendar 2014). Retirees, who pay monthly, will have two additional pay holidays. **DLS recommends that a provision in the Budget Reconciliation and Financing Act of 2014 be added for State employees to receive two premium holidays (one in fiscal 2014 and one in the first half of fiscal 2015) and retirees one premium holiday in fiscal 2014. In addition, DLS recommends that a back of the bill section be added to reduce State agency spending by \$10.5 million across all funds in fiscal 2015 from the additional fund balance in the account to increase the general fund balance. The remaining \$10.5 million is left in the fund balance to address the fiscal 2016 bounce back in agency spending.**

Exhibit 9 shows that State agency spending declines in fiscal 2014 and 2015. In fiscal 2014, agency spending declines \$56 million compared to fiscal 2013 and then decreases by another \$9 million in fiscal 2015.

Exhibit 9
Health Plan Revenues and Expenditures
Fiscal 2013-2015
(\$ in Millions)

	2013 <u>Actual</u>	2014 <u>Working</u>	2015 <u>Allowance</u>
Beginning Balance	\$173.4	\$287.8	\$234.9
Expenditures			
DBM – Personnel Administrative Cost	\$6.8	\$7.0	\$7.5
Payments of Claims			
Medical	809.5	872.1	921.1
Mental Health	14	13.6	14.1
Prescription	346.4	348.2	354.3
Dental	46.6	48.1	49.8
Contractual	0.0	0.0	3.8
Payments to Providers	\$1,223	\$1,289	\$1,351
% Growth in Payments	-3.1%	5.4%	4.8%
Receipts			
State Agencies	\$1,033.6	\$978.1	\$969.4
Employee Contributions	167.3	157.2	159.4
Retiree Contributions	85.2	77.9	78.6
Prescription Rebates, Recoveries, and Other	37.0	33.8	33.8
Other	14.6	-10.9	10.0
Total Receipts	\$1,337.7	\$1,236.1	\$1,251.2
% Growth in Receipts	5.0%	-7.6%	1.2%
Ending Balance	\$287.8	\$234.9	\$135.5
Estimated Incurred but Not Received	-\$99.5	-\$105.9	-\$110.6
Reserve for Future Provider Payments	\$188.3	\$129.0	\$24.9

DBM: Department of Budget and Management

Source: Department of Budget and Management

Underlying medical claims continue to grow in fiscal 2014 and 2015 as the fund balance is spent. Medical claims growth is expected to be 5.4% in fiscal 2014 and 4.8% in fiscal 2015. While claims declined in fiscal 2013, that is not the expectation moving forward; however, it is anticipated that claims growth will be more moderate in the coming years. As a result of claims continuing to grow and agency spending being artificially depressed through the drawdown of the fund balance, there will likely be an increase in agency spending for fiscal 2016.

Eligible Contractual Employees to Receive Coverage

The Affordable Care Act (ACA) provides that under certain conditions, employer-subsidized health insurance must be made available to contractual employees, or the employer would need to pay a fine. Based upon the regulations to implement this provision, it does not appear that the State would have to provide health insurance to eligible contractual employees because it provides coverage to enough of the existing employee base. Recently, the so-called employer mandate was delayed. Under the new timeline, the State would need to cover 95% of its workforce on January 1, 2016.

Beginning January 1, 2015, the State will offer subsidized health insurance to eligible contractual employees. It is estimated that this will cost the State \$3.8 million and that approximately 500 individuals will participate. Because this is the first time that the State has offered this benefit, it is difficult to know what the real impact is. Original estimates showed that close to 1,900 individuals may have been eligible for the benefit, but further analysis showed that the actual number of individuals who would sign up for health insurance was significantly less. **DLS recommends that DBM discuss what criteria will be used to determine what contractual employees will be eligible for health insurance and what process will be used to ensure individuals who enroll are eligible. DLS also recommends that committee narrative be adopted to require a report from DBM with enrollment figures from contractual employees.**

4. Health Insurance Plan Design Changes Are Set to Happen

Background

Chapter 208 of 2013 requires the Secretary of DBM to include a wellness program in the State Employee and Retiree Health and Welfare Benefits Program. The wellness program developed by the Secretary is (1) to be developed in consultation with the Secretary of DHMH; (2) to promote the goals of DHMH's State Health Improvement Process; and (3) to aim to achieve savings in the State plan over time that exceed the costs of the wellness program.

At the end of calendar 2013, DBM released a request for proposals (RFP) for health insurance providers that would take effect January 1, 2015. As structured, the new RFP includes several new plan design elements that will change the type of care individuals receive, the level of information collected about their health, and meet the requirements of Chapter 208 regarding a wellness program. The RFP and design changes would not alter the current coinsurance and maximum out-of-pocket

requirements. Following is a summary of the major provisions in the RFP, which were agreed to by the State's collective bargaining units.

Major Provisions in the Request for Proposals

The RFP requests providers for a PPO plan, an EPO plan, and an Integrated Health Model plan. For each of the three plans, DBM may award up to two contracts in each for six years. Renewal options of up to an additional four years are provided for just the PPO and EPO plans. The State would no longer offer the point of service plan and instead offer the integrated health model plan. An integrated health model plan would utilize a regional network of providers with a care structure similar to that of patient-centered medical homes with services provided in a more holistic manner. In addition, unlike the current PPO and EPO plans, where the State bears the financial risk, under an integrated health model, the vendor bears the financial risk of providing service. The State pays a fixed cost for medical services, and the vendor bears any costs above that limit.

The most significant change in the RFP is the inclusion of value-based benefit design concepts. In other words, the RFP would require the health insurance vendors to focus not just on providing care but on providing positive health outcomes and wellness. The RFP requires an increased amount of data sharing on patient activities, particularly with a focus on wellness and preventive care activities, between providers and the State. In addition, employees are encouraged to take more proactive steps to prevent treatable illnesses. The long-term goal of the RFP is to gradually improve the overall health of the State employee population and to reduce costs in the long term through preventive care and reducing readmissions, among other things.

In fiscal 2013, there was approximately \$225 million, or 18% of all medical claims, spent on the following chronic conditions: (1) 74,000 patients with hypertension; (2) 31,000 patients with cardiovascular diagnoses; and (3) 17,000 patients with diabetes. **Exhibit 10** provides more detail on preventive screening activities of participants in the State plan compared to national averages/norms. As will be discussed, incentives are put in place for participants and vendors that should increase these measures and ultimately reduce costs for the State.

**Exhibit 10
Select Wellness Performance Metrics**

<u>Measures</u>	<u>State-covered Population That Is Treatment Compliant</u>	<u>Norm/Average</u>
Keeping Blood Glucose Under Control (Diabetes)	29.6%	64.0% in Maryland, 62.0% Nationally
LDL Cholesterol Testing	46.0%	83.5% PPO and 88.1% for HMO Norms
Breast Cancer Screening	22.9%	69.0% in Maryland, 70.0% Nationally

HMO: health maintenance organization

PPO: preferred provider organization

Source: Department of Budget and Management

Incentive Provisions

Incentives are built into the RFP for both the vendors and participants. As shown in **Exhibit 11**, participants would not have to pay primary care physician co-pays and coinsurance, provided they complete prescribed healthy activities. If a participant does not participate in a prescribed activity, such as weight loss management or preventive care appointments, then an annual premium surcharge will be assessed beginning in fiscal 2016. Healthy individuals who do not complete the activities will be charged \$50 increasing to \$75 beginning in fiscal 2017. Individuals identified for disease management and who do not participate will be charged \$250 in fiscal 2016, increasing to \$375 in fiscal 2017. Tobacco users will be tracked separately, with one of the activity requirements being the reduction of tobacco usage.

Vendor incentives are provided through a performance management program. As described in the RFP, the goal of the program is “to partner with the contractor to improve the health risk profile of the covered population and close the gap from the base line measures to the goal year over year.” In the first year, providers are required to collect baseline data on agreed upon metrics. Thereafter, providers performance will be measured against the agreed upon performance targets. A point system will be used for each performance target and at the end of the year the points will be added up. Depending on the amount of the points, the vendor may receive additional payments from the State for meeting certain performance standards or may have to make additional payments to the State for not meeting agreed upon goals. Areas to be measured include increasing diabetes testing and screening, hypertension and cholesterol testing, and preventive screening (e.g., mammograms and colorectal cancer screening).

Exhibit 11
Employee Healthy Activity Requirements and Provider Report

<u>Time Period</u>	<u>Healthy Activity Requirements</u>
January 1, 2015 – June 30, 2015	Providers will provide, track, and report on the following activities: <ul style="list-style-type: none">• members who select a primary care physician (PCP);• members who complete the State-provided comprehensive online or paper personal health assessment; and• members who discuss the personal health assessment with their primary care physician.
October 2015 (and each October thereafter)	Providers will report to the State those who did not complete the healthy activities in the time period to assess the surcharge anticipated in 2016.
July 1, 2015 – June 30, 2016	Providers will provide, track, and report on the following activities: <ul style="list-style-type: none">• members who select a PCP (this will be a requirement);• members who complete all recommended age/gender specific biometric and preventive screenings and discuss the results with their primary care physician;• members who complete a nutrition education, weight management, or stress management program sponsored by the health plan; and• members who are identified and notified as eligible for disease management programs and follow treatment guidelines of the care manager or complete/graduate from the disease management program.
Beginning January 2016	PCP co-pays are waived if employee and covered spouse select a PCP and complete health risk assessment and discuss it with their physician.
July 1, 2016 – June 30, 2017	Providers will provide, track, and report on the following activities: <ul style="list-style-type: none">• members who select a PCP;• members who complete the State-provided comprehensive personal health assessment;• members who complete all recommended age/gender specific biometric screenings and discuss results with their PCP;

Time Period

Healthy Activity Requirements

	<ul style="list-style-type: none">• members who achieve personal health improvement goals; and• members who are identified and notified as eligible for disease management programs and follow treatment guidelines
Beginning January 2017	Employees who fail/refuse to engage in identified disease management treatment recommendations or healthy activities will be subject to surcharge. Employees not meeting the healthy activity requirements will pay co-pays.
July 1, 2017 – June 30, 2018	In addition to the five activities in the fiscal 2017 reporting period, information on the members who complete a nutrition education, weight management, or stress management program.
July 1, 2018 – June 30, 2019	All of the six activities in fiscal 2018 plus a State-provided comprehensive personal health assessment.
July 1, 2019 – June 30, 2020	All of the fiscal 2019 activities except for selecting a PCP and completing the State-provided comprehensive personal health assessment.

Source: Department of Budget and Management

Issues

Given the fundamental changes that are included in the RFP, there are several issues to consider.

Data Collection

The State and health care providers will be collecting even more data on participants' health. The objective in collecting this data is to have a better understanding of an individual's health so that a specific health plan may be developed. To collect data, participants will be required to take an annual State administered health risk assessment. For many individuals, who may have never undergone this type of health evaluation, to do so now may be something they resist. In addition, the State has never attempted to collect this information before. It will be important for the State to have sound data collection processes so that it can properly determine participant and provider incentives. Data verification will also be important, particularly as it relates to determining the provider incentive payments.

Participant Incentives

The new plan design attempts to use monetary incentives to have individuals complete disease management or preventive care activities. From the State's perspective, the goal is to improve the

overall health of the State workforce; however, individuals may not respond to the incentives provided or may feel that the process is too intrusive. The idea of participant incentives was agreed to by the unions.

Provider Incentives

Similar to how the State operates its Medicaid value based benefits design program, there are provider incentives to improve the overall wellness of the population. If more individuals complete preventive screenings, then providers could be paid additional money. If the goals are not met, the provider would need to pay the State. The incentive plan is to be cost neutral and the amount of incentives that can be paid out is capped by federal requirements. **DLS recommends that the agency discuss its planned outreach to employees about the plan design changes to health insurance for the next enrollment period.**

5. Workforce Planning

There has been much discussion about the baby boomer generation entering retirement and what that might mean for government agencies. **Exhibit 12** shows by year and agency, the percentage of employees that are eligible for retirement now, in 5 years, and in 10 years. As shown, 53% of employees in the Executive Branch, excluding MDOT and the University System of Maryland will be eligible for retirement in 10 years.

Exhibit 12
Percentage of Employees Eligible for Retirement by Agency

<u>Agency</u>	<u>2014</u>			<u>2019</u>		<u>2024</u>	
	<u>Total</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Public Safety and Correctional Services	10,424	2,149	20.6%	3,986	38.2%	5,759	55.2%
Health and Mental Hygiene	8,289	1,786	21.5%	3,345	40.4%	4,678	56.4%
Human Resources	6,043	1,078	17.8%	2,053	34.0%	2,938	48.6%
Judiciary	3,396	653	19.2%	1,196	35.2%	1,669	49.1%
State Police	2,241	395	17.6%	751	33.5%	1,169	52.2%
Juvenile Services	1,921	221	11.5%	405	21.1%	594	30.9%
Labor, Licensing, and Regulation	1,612	402	24.9%	650	40.3%	899	55.8%
Education	1,330	358	26.9%	560	42.1%	732	55.0%
Natural Resources	1,195	301	25.2%	548	45.9%	706	59.1%
Comptroller	1,075	240	22.3%	431	40.1%	589	54.8%
Morgan State University	1,039	268	25.8%	439	42.3%	561	54.0%
Other (<1,000 Employees)	8,438	1,916	22.7%	3,324	39.4%	4,597	54.5%
Total	47,003	9,767	20.8%	17,688	37.6%	24,891	53.0%

Source: Department of Budget and Management

In January 2005, the Office of Legislative Audits (OLA) issued a report on workforce planning efforts by agencies. At that time, it was determined that 12.1% of employees were eligible for immediate retirement. Within 5 years, the percentage of retirement eligible retirees increased to 28.3%, and at 10 years the percentage was 45.3%. **Exhibit 13** provides an update of this chart as of December 2013. As shown, the percentage of employees eligible now and within 5 and 10 years has increased. This increase in the percentage of retirement eligible employees can be attributed to individual’s desires to work longer, the impact of the economy on an individual’s financial outlook in retirement, and time.

Exhibit 13
Comparison of Retirement Eligible Workforce

	<u>January 2005 Report</u>	<u>December 2013*</u>	<u>Difference</u>
Eligible Now	12.1%	20.8%	8.7%
Eligible within 5 years	28.3%	37.6%	9.3%
Eligible within 10 years	45.3%	53.0%	7.7%

* This data does not include the University System of Maryland or the Maryland Department of Transportation.

Source: January 2005 *State Workforce Planning Report*, Office of Legislative Audits; Department of Budget and Management

In the 2005 OLA report, it was noted that the State competes with the federal government as an employer. The report noted that the State will “face difficult competition for qualified employees from a decreasing pool of potential workers”. According to the Government Accountability Office, at the end of fiscal 2011, nearly 30% of the federal workforce was eligible for retirement by 2016.

As more and more of the State workforce approaches retirement, it is critical that agencies undertake workforce planning efforts to better understand future staffing needs. In 2010, DBM developed a workforce planning model to assist agencies in planning efforts. The model developed involves five phases, including defining a strategic direction, performing workforce analyses, developing strategies to address gaps, implementing strategies, and evaluating gap closing strategies.

Currently, workforce planning efforts are decentralized to better fit individual agency needs. It is anticipated that once the new personnel system is brought online, agencies will have access to more information about employees to assist in workforce planning. **DLS recommends that DBM provide a broad update of where agencies are with the workforce planning model created by DBM. In addition, DBM should discuss any additional efforts to avoid the loss of knowledge due to employee retirement/turnover.**

Recommended Actions

1. Add the following language:

Provided that the appropriation in F10A02.08 of \$51,078,342 (\$37,782,411 in general funds, \$8,314,681 in special funds, and \$4,981,250 in federal funds) may only be expended to fund a 1% general salary increase effective July 1, 2014.

Explanation: This language specifies that the effective date for the general salary increase adjustment is July 1, 2014 and is for 1%. It is better fiscal policy to fund general salary increases for an entire year. This action also helps reduce the fiscal 2016 structural deficit.

2. Add the following language:

Statewide Reductions for Health Insurance

To become available immediately upon passage of this budget to reduce the appropriation for fiscal year 2014 to implement cost containment reductions for ~~Executive Branch~~ agencies to reflect health insurance savings from favorable cost trends. Funding for this purpose shall be reduced in Comptroller Objects 0152 Health Insurance and 0154 Retirees Health Insurance, within ~~Executive Branch~~ agencies in fiscal year 2014. Agencies may reallocate this reduction by budget amendment across programs.

	General Funds
B75 General Assembly	-1,047,318
C00 Judiciary	-2,554,238
C80 Office of the Public Defender	-1,023,831
C81 Office of the Attorney General	-162,413
C82 State Prosecutor	-10,506
C85 Maryland Tax Court	-7,741
D05 Board of Public Works (BPW)	-9,675
D10 Executive Department Governor	-97,006
D11 Office of Deaf and Hard of Hearing	-2,620
D12 Department of Disabilities	-17,695
D15 Boards and Commissions	-82,268
D16 Secretary of State	-26,483
D17 Historic St. Mary's City Commission	-28,258
D18 Governor's Office for Children	-21,259
D25 BPW Interagency Committee for School Construction	-23,615
D26 Department of Aging	-21,532
D27 Maryland Commission on Civil Rights	-34,563
D38 State Board of Elections	-35,190
D39 Maryland State Board of Contract Appeals	-6,973

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D40	Department of Planning	-144,338
D50	Military Department	-146,647
D55	Department of Veterans Affairs	-49,671
D60	Maryland State Archives	-23,249
E00	Comptroller of Maryland	-912,340
E20	State Treasurer’s Office	-33,070
E50	Department of Assessments and Taxation	-335,407
E75	State Lottery and Gaming Control Agency	-114,435
E80	Property Tax Assessment Appeals Board	-11,339
F10	Department of Budget and Management	-153,644
F50	Department of Information Technology	-96,591
H00	Department of General Services	-445,813
K00	Department of Natural Resources	-497,916
L00	Department of Agriculture	-304,523
M00	Department of Health and Mental Hygiene	-5,847,596
N00	Department of Human Resources	-2,810,379
P00	Department of Labor, Licensing and Regulation	-290,671
Q00	Department of Public Safety and Correctional Services	-12,725,447
R00	State Department of Education	-465,154
R15	Maryland Public Broadcasting Commission	-87,346
R62	Maryland Higher Education Commission	-48,247
R75	Support for State-Operated Institutions of Higher Education	-16,923,210
R99	Maryland School for the Deaf	-303,994
T00	Department of Business and Economic Development	-189,827
U00	Department of the Environment	-274,973
V00	Department of Juvenile Services	-2,332,000
W00	Department of State Police	<u>-2,465,096</u>
Total General Funds		<u>-49,644,551</u>
		<u>-53,246,107</u>

Explanation: This action adds the General Assembly and the Judiciary in the across-the-board reductions related to retiree health insurance in fiscal 2014.

3. Add the following language:

Statewide Reduction for State Personnel System Allocation

To become available immediately upon passage of this budget to reduce the appropriation for fiscal year 2014 to implement cost containment reductions for the State Personnel System Allocation based on estimated fiscal year 2014 actuals. Funding for this purpose will be reduced in Comptroller Object 0894 (State Personnel System Allocation) within ~~Executive Branch~~ agencies by the following amounts in accordance with a schedule determined by the

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Governor. The agencies may reallocate this reduction by budget amendment to other programs within the department.

General Fund Appropriation	-10,708,712
	<u>-10,949,078</u>

		General Funds
B75	General Assembly	-46,972
C00	Judiciary	<u>-193,394</u>
C80	Office of the Public Defender	-236,592
C81	Office of the Attorney General	-41,759
C82	State Prosecutor	-2,792
C85	Maryland Tax Court	-2,031
D05	Board of Public Works (BPW)	-2,285
D10	Executive Department – Governor	-22,720
D11	Office of Deaf and Hard of Hearing	-761
D12	Department of Disabilities	-5,776
D15	Boards and Commissions	-24,548
D16	Secretary of State	-6,093
D17	Historic St. Mary’s City Commission	-5,589
D18	Governor’s Office for Children	-4,189
D25	BPW Interagency Committee for School Construction	-4,315
D26	Department of Aging	-12,562
D27	Maryland Commission on Civil Rights	-8,783
D38	State Board of Elections	-8,631
D39	Maryland State Board of Contract Appeals	-1,269
D40	Department of Planning	-38,586
D50	Military Department	-83,391
D55	Department of Veterans Affairs	-19,293
D60	Maryland State Archives	-6,981
E00	Comptroller of Maryland	-221,563
E20	State Treasurer’s Office	-8,169
E50	Department of Assessments and Taxation	-70,656
E75	State Lottery and Gaming Control Agency	-13,200
E80	Property Tax Assessment Appeals Board	-2,285
F10	Department of Budget and Management	-36,277
F50	Department of Information Technology	-22,077
H00	Department of General Services	-128,701
K00	Department of Natural Resources	-160,766
L00	Department of Agriculture	-68,033
M00	Department of Health and Mental Hygiene	-1,536,045
M00	Department of Health and Mental Hygiene – Local Health	-696,796
N00	Department of Human Resources	-1,633,139
P00	Department of Labor, Licensing and Regulation	-332,569

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Q00	Department of Public Safety and Correctional Services	-2,714,816
R00	State Department of Education	-356,056
R15	Maryland Public Broadcasting Commission	-17,008
R62	Maryland Higher Education Commission	-12,439
R75	Support for State-Operated Institutions of Higher Education	-879,002
R99	Maryland School for the Deaf	-73,872
T00	Department of Business and Economic Development	-42,647
U00	Department of the Environment	-121,850
V00	Department of Juvenile Services	-536,152
W00	Department of State Police	<u>-485,648</u>
Total General Funds		-10,708,712
		<u>-10,949,078</u>

Explanation: This adds the General Assembly and the Judiciary to the across-the-board reduction due to savings from delays in the Statewide Personnel System project.

4. Add the following language:

Statewide Reduction for Retirement

To become available immediately upon passage of this budget to reduce the appropriation for fiscal year 2014 to implement cost containment reductions on ~~Executive Branch~~ agencies to reflect a reduced Maryland State Retirement and Pension System reinvestment. Agencies may reallocate this reduction by budget amendment across programs.

	General Funds	
B75	General Assembly	-239,033
C00	Judiciary	<u>-763,324</u>
C80	Office of the Public Defender	-577,845
C81	Office of the Attorney General	-102,331
C82	State Prosecutor	-8,007
C85	Maryland Tax Court	-3,724
D05	Board of Public Works (BPW)	-6,325
D10	Executive Department – Governor	-70,398
D11	Office of Deaf and Hard of Hearing	-1,943
D12	Department of Disabilities	-9,617
D15	Boards and Commissions	-47,191
D16	Secretary of State	-13,689
D17	Historic St. Mary’s City Commission	-13,019
D18	Governor’s Office for Children	-10,480
D25	BPW Interagency Committee for School Construction	-10,665
D26	Department of Aging	-14,076
D27	Maryland Commission on Civil Rights	-16,845
D38	State Board of Elections	-20,165

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D39	Maryland State Board of Contract Appeals	-3,388
D40	Department of Planning	-76,881
D50	Military Department	-61,082
D55	Department of Veterans Affairs	-24,650
D60	Maryland State Archives	-13,766
E00	Comptroller of Maryland	-424,142
E20	State Treasurer’s Office	-17,651
E50	Department of Assessments and Taxation	-145,997
E75	State Lottery and Gaming Control Agency	-44,449
E80	Property Tax Assessment Appeals Board	-3,958
F10	Department of Budget and Management	-98,380
F50	Department of Information Technology	-57,447
H00	Department of General Services	-245,124
K00	Department of Natural Resources	-486,134
L00	Department of Agriculture	-137,038
M00	Department of Health and Mental Hygiene	-2,657,957
N00	Department of Human Resources	-1,238,012
P00	Department of Labor, Licensing and Regulation	-181,142
Q00	Department of Public Safety and Correctional Services	-5,192,674
R00	State Department of Education	-262,814
R00	State Department of Education – Aid	-63,373,801
R15	Maryland Public Broadcasting Commission	-37,777
R62	Maryland Higher Education Commission	-24,291
R62	Maryland Higher Education Commission – Aid	-2,633,699
R75	Support for State-Operated Institutions of Higher Education	-4,747,311
R99	Maryland School for the Deaf	-165,027
T00	Department of Business and Economic Development	-117,072
U00	Department of the Environment	-184,019
V00	Department of Juvenile Services	-970,677
W00	Department of State Police	<u>-1,524,963</u>
Total General Funds		-86,077,643 <u>-87,080,000</u>

Explanation: This action adds the General Assembly and Judiciary to the reduction of the pension reinvestment in fiscal 2014.

5. Add the following language:

SECTION 19. AND BE IT FURTHER ENACTED, That for fiscal year 2015 funding for health insurance shall be reduced by ~~\$23,816,252~~ 25,362,001 in ~~Executive Branch~~ agencies to reflect health insurance savings from favorable cost trends. Funding for this purpose shall be reduced in Comptroller Object 0154 – Retirees Health Insurance, within ~~Executive Branch~~

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agencies in fiscal year 2015 by the following amounts in accordance with a schedule determined by the Governor:

	Agency	General Funds
B75	General Assembly	286,223
C00	Judiciary	1,259,526
C80	Office of the Public Defender	365,554
C81	Office of the Attorney General	58,177
C82	State Prosecutor	4,169
C85	Maryland Tax Court	2,637
D05	Board of Public Works (BPW)	3,254
D10	Executive Department – Governor	32,952
D11	Office of Deaf and Hard of Hearing	609
D12	Department of Disabilities	6,698
D15	Boards and Commissions	29,792
D16	Secretary of State	8,342
D17	Historic St. Mary’s City Commission	9,802
D18	Governor’s Office for Children	6,607
D25	BPW Interagency Committee for School Construction	9,075
D26	Department of Aging	8,603
D27	Maryland Commission on Civil Rights	10,542
D38	State Board of Elections	14,143
D39	Maryland State Board of Contract Appeals	2,440
D40	Department of Planning	50,579
D50	Military Department	45,058
D55	Department of Veterans Affairs	19,228
D60	Maryland State Archives	7,809
E00	Comptroller of Maryland	327,794
E20	State Treasurer’s Office	10,522
E50	Department of Assessments and Taxation	124,616
E75	State Lottery and Gaming Control Agency	49,235
E80	Property Tax Assessment Appeals Board	3,269
F10	Department of Budget and Management	56,434
F50	Department of Information Technology	32,963
H00	Department of General Services	161,097
K00	Department of Natural Resources	168,790
L00	Department of Agriculture	105,621
M00	Department of Health and Mental Hygiene	2,083,766
N00	Department of Human Resources	1,210,344
P00	Department of Labor, Licensing and Regulation	101,947
Q00	Department of Public Safety and Correctional Services	4,572,497
R00	State Department of Education	178,068
R15	Maryland Public Broadcasting Commission	31,691
R62	Maryland Higher Education Commission	18,170

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R75	Support for State Operated Institutions of Higher Education	4,318,948
R99	Maryland School for the Deaf	117,602
T00	Department of Business and Economic Development	68,736
U00	Department of the Environment	138,153
V00	Department of Juvenile Services	838,632
W00	Department of State Police	<u>850,222</u>
	Total General Funds	<u>16,265,187</u> <u>17,810,930</u>

Explanation: This action adds the General Assembly and the Judiciary to the fiscal 2015 across-the-board reduction to health insurance.

6. Add the following language:

SECTION 20. AND BE IT FURTHER ENACTED, That for fiscal 2015 funding for retirement shall be reduced by ~~\$96,678,535~~ 98,616,567 in ~~Executive Branch~~ agencies to reduce the retirement reinvestment contribution contingent upon the enactment of legislation reducing the amount of the retirement reinvestment contribution. Funding for this purpose shall be reduced in Comptroller Object 0161 (Employees' Retirement), Comptroller Object 0163 (Teachers' Retirement), Comptroller Object 0165 (State Police Retirement) and Comptroller Object 0169 (Law Enforcement Officers' Retirement) within ~~Executive Branch~~ agencies in fiscal year 2015 by the following amounts:

	Agency	General Funds
B75	General Assembly	468,109
C00	Judiciary	<u>1,469,923</u>
C80	Office of the Public Defender	604,985
C81	Office of the Attorney General	108,739
C82	State Prosecutor	9,468
C85	Maryland Tax Court	3,698
D05	Board of Public Works (BPW)	6,648
D10	Executive Department – Governor	73,323
D11	Office of Deaf and Hard of Hearing	2,051
D12	Department of Disabilities	10,145
D15	Boards and Commissions	52,637
D16	Secretary of State	14,319
D17	Historic St. Mary's City Commission	14,062
D18	Governor's Office for Children	10,354
D25	BPW Interagency Committee for School Construction	10,971
D26	Department of Aging	12,169
D27	Maryland Commission on Civil Rights	17,748
D38	State Board of Elections	24,277
D39	Maryland State Board of Contract Appeals	3,479

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D40	Department of Planning	82,229
D50	Military Department	60,151
D55	Department of Veterans Affairs	29,292
D60	Maryland State Archives	14,180
E00	Comptroller of Maryland	439,018
E20	State Treasurer’s Office	18,249
E50	Department of Assessments and Taxation	158,624
E75	State Lottery and Gaming Control Agency	55,003
E80	Property Tax Assessment Appeals Board	4,058
F10	Department of Budget and Management	104,832
F50	Department of Information Technology	59,402
H00	Department of General Services	231,842
K00	Department of Natural Resources	316,195
L00	Department of Agriculture	142,297
M00	Department of Health and Mental Hygiene	2,685,567
N00	Department of Human Resources	1,571,776
P00	Department of Labor, Licensing and Regulation	170,422
Q00	Department of Public Safety and Correctional Services	5,211,976
R00	State Department of Education – Headquarters	284,346
R00	State Department of Education – Aid	63,308,540
R15	Maryland Public Broadcasting Commission	40,075
R62	Maryland Higher Education Commission	25,785
R62	Maryland Higher Education Commission – Aid	2,620,315
R75	Support for State Operated Institutions of Higher Education	4,633,148
R99	Maryland School for the Deaf	172,080
T00	Department of Business and Economic Development	120,295
U00	Department of the Environment	205,527
V00	Department of Juvenile Services	1,019,779
W00	Department of State Police	<u>1,555,780</u>
Total General Funds		86,319,856
		<u>88,257,888</u>

Explanation: This action adds the General Assembly and Judiciary to the pension reinvestment reduction.

7. Adopt the following narrative:

Contractual Employee Health Insurance: Beginning January 1, 2015, certain contractual employees will be eligible for subsidized health insurance as required under the Affordable Care Act. The fiscal 2015 budget includes funding to implement this requirement; however, it is difficult to determine the actual number of employees who may participate. Furthermore, the federal rules as to who is eligible for health insurance are not clear. The committees request an update from the Department of Budget and Management (DBM) on

February 1, 2015, on the process used to determine eligibility, the number of contractual employees who signed up for health insurance, and an updated cost estimate.

Information Request	Author	Due Date
Contractual Employee Health Insurance	DBM	February 1, 2015

8. Add the following section:

Section XX. AND BE IT FURTHER ENACTED, That the merit increase provided to State employees in agency budgets shall be provided on the appropriate date starting on either October 1, 2014, or April 1, 2015. The Department of Budget and Management shall reduce agency budgets by \$34,747,057 (\$26,076,475 in general funds, \$5,444,812 in special funds, and \$3,225,770 in federal funds).

Explanation: This language provides eligible State employees a merit increase on either October 1, 2014, or April 1, 2015, and reduces agency spending to reflect this delay.

9. 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, 2014, as determined by the Secretary of the Department of Budget and Management (DBM). 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 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 men, 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 full-time equivalent contractual positions 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

positions for at least 2 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;
- (2) the position’s classification is not one for which another position was abolished through the Voluntary Separation Program; and
- (3) any positions created will be abolished in the event that non-State funds are no longer available.

The Secretary of DBM shall certify and report to the General Assembly by June 30, 2015, the status of positions created with non-State funding sources during fiscal 2011, 2012, 2013, 2014, and 2015 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 for exceptions to the limit.

Information Request	Author	Due Date
Certification of the status of positions created with non-State funding sources during fiscal 2011, 2012, 2013, 2014, and 2015	DBM	June 30, 2015

10. 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 2014, the Secretary of the Department of Budget and Management (DBM) shall determine the total number of full-time equivalent (FTE) positions that are authorized as of the last day of fiscal 2014 and on the first day of fiscal 2015. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2014 and 2015, including nonbudgetary programs, the Maryland Transportation Authority, the University System of Maryland self-supported activities, and the Maryland Correctional Enterprises.

DBM shall also prepare during fiscal 2015 a report 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 fiscal 2016 Governor’s 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 position information in the same fashion as reported in the appendices of the fiscal 2016 Governor’s budget books shall also be provided.

Explanation: This is annual language providing reporting requirements for regular and contractual State positions.

Information Request	Author	Due Date
Total number of FTEs on June 30 and July 1, 2014	DBM	July 14, 2014
Report on the creation, transfer, or abolition of regular positions	DBM	As needed

11. Add the following section:

Section XX Annual Executive Pay Plan Report

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management and the Maryland Department of Transportation are required to submit to the Department of Legislative Services (DLS) Office of Policy Analysis:

- (1) a report in Excel format listing the grade, salary, title, and incumbent of each position in the Executive Pay Plan (EPP) as of July 15, 2014; October 15, 2014; January 15, 2015; and April 15, 2015; and
- (2) detail on any lump-sum increases given to employees paid on the EPP subsequent to the previous quarterly report.

Flat-rate employees on the EPP shall be included in these reports. Each position in the report shall be assigned a unique identifier that describes the program to which the position is

assigned for budget purposes and corresponds to the manner of identification of positions within the budget data provided annually to the DLS Office of Policy Analysis.

Explanation: Legislation adopted during the 2000 session altered the structure of the EPP to give the Governor flexibility to compensate executives at appropriate levels within broad salary bands established for their positions, without reference to a rigid schedule of steps, and through other compensation methods such as a flat rate salary. These reports fulfill a requirement for documentation of any specific recruitment, retention, or other issues that warrant a pay increase.

Information Request	Author	Due Date
Report of all EPP positions	Department of Budget and Management	July 15, 2014; October 15, 2014; January 15, 2015; and April 15, 2015

12. 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.

13. 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 the Department of Budget and Management shall include as an appendix in the fiscal 2016 Governor’s budget books an accounting of the fiscal 2014 actual, fiscal 2015 working appropriation, and fiscal 2016 estimated revenues and expenditures associated with the employees’ and retirees’ health plan. This accounting shall include:

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

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- (2) 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; and
- (3) 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.

Information Request	Author	Due Date
Accounting of the employee and retiree health plan revenues and expenditures	Department of Budget and Management	With submission of Governor's fiscal 2016 budget books

14. Add the following section:

Section XX. AND BE IT FURTHER ENACTED, That the Governor shall abolish 300 vacant regular full-time equivalent positions and reduce agency appropriations by at least \$20,000,000 in general funds from the Executive Branch in fiscal 2015. Further provided that abolitions shall occur on or before July 1, 2014, and an accounting of the abolished positions shall be noted in Appendix E of the fiscal 2016 budget submission. A schedule of the abolished positions and funding, by program, shall be submitted to the budget committees by July 1, 2014.

Explanation: This action abolishes 300 vacant positions and at least \$20 million in general funds from the Executive Branch.

Information Request	Author	Due Date
Vacant position reduction	Department of Budget and Management	July 1, 2104, and with submission of Governor's fiscal 2016 budget books

15. Add the following section:

Section XX. AND BE IT FURTHER ENACTED, That the following reductions shall be made to State agency expenditures for health insurance in fiscal 2015 to spend down the excess fund balance in the State Employee Health and Welfare Benefits Fund contingent upon the enactment of SB 172/HB 162 to change the number of employee and retiree health insurance premium holidays. Funding for this purpose shall be reduced from Comptroller Objects 0152 Health Insurance and 0154 Retirees Health Insurance in fiscal 2015 by the following amounts:

General Funds: \$6,300,000

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Special Funds: \$2,100,000

Federal Funds: \$2,100,000

Explanation: This action reduces State agency spending on health insurance due to excess fund balance in the State Employee Health and Welfare Benefits Fund. It allows for one payment holiday for State employees in fiscal 2015.

Updates

1. New Collective Bargaining Agreement

The State reached a one-year CBA with its respective bargaining units, unlike the normal three-year agreement. The reason for this was that the Administration wanted the next Governor to have the opportunity to negotiate a new CBA. As a result, the new CBA does not fundamentally alter the prior agreements except for financial considerations.

The financial considerations negotiated in the new agreement include:

- 2% COLA on January 1, 2015;
- increments beginning July 1, 2014;
- four additional health insurance premium holidays (two in fiscal 2014 and two in fiscal 2015); and
- the continuation of the service reduction days in fiscal 2015. These days were initially provided in fiscal 2014 to make up for days lost due to the furlough implemented in fiscal 2009 through 2011. While perceived to have no impact on the budget, there is a cost for additional overtime in 24/7 institutions. For example, in DPSCS, it is estimated that five service reduction days will require at least \$7.0 million in additional overtime expense.

The State Law Enforcement Officers Labor Alliance opted to forego the 2% COLA in favor of altering its pay plan. The overall cost is still the equivalent of a 2% increase. It will still receive the other benefits listed above.

2. Other Post Employment Benefits Liability Decreases

Upon their retirement, and provided they receive a retirement allowance from the State Retirement and Pension System, retired State employees are entitled to enroll and participate in any of the health insurance options provided by the State Employee and Retiree Health and Welfare Benefits Program. In effect, this entitles retired State employees to retain the same health coverage they had as active employees. In addition, active State employees accrue eligibility for a partial State subsidy off the cost of health insurance coverage under the program.

In 2004, the Government Accounting Standards Board (GASB) released new standards that require the State to apply an accounting methodology similar to the one used for pension liabilities to account for retiree health benefits. GASB is an independent, nonprofit foundation that establishes accounting standards for local and state governments. The new standards affect governmental accounting of other post employment benefits (OPEB), which are defined as post employment

benefits other than pensions. Under the new standards, incorporated into GASB’s Statements 43 and 45, the State must account for the cost of OPEB as they accrue to employees based on their employment with the State rather than on a pay-as-you-go basis. Prior to the release of Statements 43 and 45, almost all states, including Maryland, had accounted for OPEB on a pay-as-you-go (PAYGO) basis.

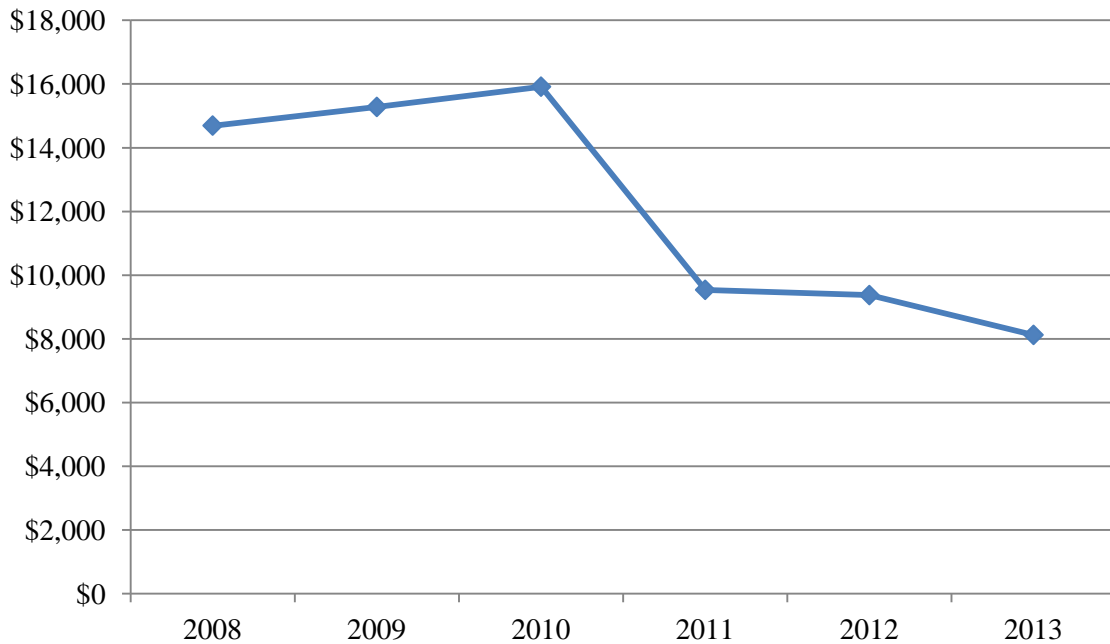
The new standards require the State to conduct an actuarial valuation of its OPEB liability at least every two years. The valuations must determine the State accrued OPEB liabilities, defined as the value of the retiree health benefits promised to current and retired employees based on their actual and project employment with the State. Each valuation credits the State with the value of any assets (including PAYGO expenditures) deposited in an irrevocable OPEB trust for the purpose of funding its OPEB liabilities. The difference between the State’s OPEB and its trust fund assets represents the unfunded actuarial accrued liability. GASB allows governments to amortize the unfunded actuarial accrued liability over a period not exceeding 30 years. Chapter 466 of 2004 established the Post-Retirement Health Benefits Trust Fund to assist the State in financing the retiree health insurance subsidy paid by the State.

State’s Unfunded Liability Declines

As shown in **Exhibit 14**, the State’s OPEB liability decreased to \$8.1 billion as of July 1, 2013, a decrease of \$1.3 billion compared to the prior year. There were several factors that resulted in this change, including:

- An actuarial loss increased the unfunded liability by \$72.3 million due to investment performance, demographic changes, and actual 2013 benefits and payments that were different than expected.
- Valuation assumption changes that lowered the liability by \$1.3 billion. This includes changing the discount rate from 4.5% to 4.75%, lowering per capita health costs and adjusting future year trends, updating assumptions to match the most recent valuation of the Maryland State Retirement and Pension System, and a decrease in obligations related to male retirees with an eligible spouse who opt for health coverage.
- Plan changes reduced the liability by \$355.6 million as a result of the transition to the Employer Group Waiver Plan for retiree prescription drugs.
- An increase as a result of the “Cadillac Tax” on health care plans adding \$93.1 million. The tax is 40% of the excess cost of specified thresholds. It is anticipated that this will occur in fiscal 2020.

Exhibit 14
Unfunded Accrued Actuarial Liability
Fiscal 2008-2013
(\$ in Millions)



Source: Segal Consulting

With the unfunded liability having been reduced over time, the annual required contribution (ARC) that the State must make to fund that liability has also been reduced. In fiscal 2014, the ARC is \$576.1 million, which is down from the fiscal 2013 cost of \$634.5 million. As a percentage of payroll, the ARC decreased from 15.3 to 12.9%. The State does not pay the full cost of the ARC and instead, funds current retiree costs, not the future cost as well. In fiscal 2013, the State contributed \$393.1 million toward OPEB which represents approximately 62.0% of the ARC. It should be noted that this amount is significantly higher than the percentage prior to the reforms that were taken. Prior to reform, the State's contribution represented 30.1% of the payroll.

To date, the State has not made progress toward funding this unfunded liability. As of July 1, 2013, the funded ratio was less than 3%. The reason more progress has not been made is because of the State's budgetary situation in recent years. It is important to note, however, that while little has been done to fund the future liabilities of retiree health insurance, significant progress has been made toward reducing that liability through plan design changes. This is reflected in the outstanding liability being reduced by almost half.

Current and Prior Year Budgets

Current and Prior Year Budgets
Department of Budget and Management – Personnel
(\$ in Thousands)

	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Reimb.</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Fiscal 2013					
Legislative					
Appropriation	\$6,649	\$41,880	\$5,231	\$7,547	\$61,306
Deficiency					
Appropriation	14,400	0	0	0	14,400
Budget					
Amendments	-203	-40,624	-5,067	120	-45,773
Reversions and					
Cancellations	-1,761	-1,225	-164	-725	-3,876
Actual					
Expenditures	\$19,085	\$31	\$0	\$6,942	\$26,058
Fiscal 2014					
Legislative					
Appropriation	\$80,642	\$17,562	\$10,026	\$7,112	\$115,342
Budget					
Amendments	-69,204	-15,960	-9,798	0	-94,962
Working					
Appropriation	\$11,438	\$1,602	\$228	\$7,112	\$20,380

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

Fiscal 2013 spending totaled \$26.1 million, a decrease of \$35.2 million. The legislative appropriation totaled \$61.3 million. Statewide expenses also received an additional \$14.4 million through deficiency appropriations to cover worker compensation claims.

Budget amendments reduced DBM – Personnel spending by \$45.8 million, while reversions and cancellations totaled \$3.9 million. Specific actions include:

- amendments transferring \$40.6 million in special funds and \$5.0 million in federal funds from the statewide program to support a general salary increase for State employees;
- receiving approximately \$31,000 in special funds from the statewide program to support a general salary increase for DBM – Personnel employees;
- transferring approximately \$213,000 in general funds, \$76,000 in special funds, and \$101,000 in federal funds to support the ASR that provides additional funds to adjust salaries at the Maryland Department of Agriculture, DHMH, DPSCS, and the Department of Labor, Licensing, and Regulation;
- a reimbursable fund amendment transferring in \$120,000 to support arbitrator fees and to fund 1 position; and
- a general fund amendment to realign spending within DBM that increased spending by a net amount of \$10,000.

Cancellations and reversions were for the following items:

- \$1.8 million in general fund reversions largely from worker compensation savings from a negotiated lower federal repayment, with other savings from salary vacancies and the death benefit;
- \$1.2 million in special funds and \$0.2 million in federal funds related to the COLAs; and
- \$0.7 million in reimbursable fund spending for various items in the Employee Benefits Division including salary vacancies, postage, and printing relating to the open enrollment.

Fiscal 2014

The fiscal 2014 legislative appropriation totaled \$115.3 million. To date, budget amendments have reduced spending by \$95.0 million for the following purposes:

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- transferring approximately \$54.2 million in general funds, \$11.3 million in special funds, and \$6.9 million in federal funds from the statewide program to support a general salary increase for State employees;
- transferring approximately \$12.7 million in general funds, \$3.8 million in special funds, and \$2.7 million in federal funds to support the increment provided to State employees effective April 1, 2014;
- transferring approximately \$2.7 million in general funds, \$0.9 million in special funds, and \$0.2 million in federal funds to fund the ASR for certain State agencies; and
- increasing general fund spending by approximately \$0.4 million to fund the general salary increase and increment for DBM – Personnel employees.

General Salary Increases, Increments, and Other Compensation Fiscal 2003-2015

State Employees

<u>Year</u>	<u>Date of Increase</u>	<u>General Salary Increase</u>	<u>Increments</u>	<u>Police, Natural Resources Police, and Park Ranger Salary Increases</u>	<u>Maximum Deferred Compensation Match by State</u>	<u>Bonuses</u>	<u>Annual Salary Review Reclassifications</u>	<u>Other</u>
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% ³	On time	2% extra, 9% 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	2.0%	On time		\$600	None	Yes ⁵	2-5 day furlough enacted ⁶
2010	7/1/2009	None	None		\$0	None	None	3-10 day furlough enacted ⁷
2011	7/1/2010	None	None		\$0	None	None	3-10 day furlough enacted ⁸
2012	7/1/2011	None	None	Negotiated increments	\$0	\$750	None	Furloughs ended
2013	1/1/2013	2.0%	None		\$0	None	Yes ⁹	
2014	1/1/2014	3.0%	On 4/1/2014	Negotiated increments	\$0	None	Yes ¹⁰	
2015	1/1/2015	2.0%	On time	Negotiated increments	\$0	None	Yes ¹¹	

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

¹ The following classifications were provided upgrades: public defenders, social services attorneys, assistant general counsels (human relations), assistant State prosecutors, direct service workers in the Department of Juvenile Services, property assessors, lab scientists, administrative law judges, and banking financial examiners.

² Provided a one-grade salary adjustment for the Deputy State Fire Marshal classification series.

³ Fiscal 2007 general salary increases are \$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 annual salary review provides 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 The fiscal 2009 annual salary review provides reclassifications and other enhancements for scientists, investigators, engineers, public defender intake specialist, veteran service, cemetery workers, call center specialists, complex tax auditor, tax consultant, retirement benefits counselor, medical care specialist, dental workers, financial regulation, deputy fire marshal, lead aviation maintenance technician, police communications operators, and civilian helicopter pilots.

⁶ 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 and positions required to maintain 24/7 facilities were exempted from the action. The result was an average salary reduction of approximately 1.5%.

⁷ 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 are subject to a temporary salary reduction of five salary days, while non-24/7 employees with salaries between \$40,000 and \$49,999 are furloughed for an additional three days, those between \$50,000 and \$99,999 for extra four days; and those earning over \$100,000 are furloughed for additional five days. The result was an average salary reduction of approximately 2.6%

⁸ 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.

⁹ The fiscal 2013 allowance provides upgrades to the following classifications: contribution tax auditors; Maryland correctional enterprise industries representative I, II, and regional managers. Two new classes were also created: nutrient management specialist III and forensic behavioral specialists.

¹⁰ The fiscal 2014 allowance provides a one-grade increase for the following classifications: emergency medical services' communication officer staff; State Department of Assessment and Taxation assessors; personnel classifications at DHMH, the Department of Human Resources, and the Department of Public Safety and Correctional Services (DPSCS); and civilian fixed wing pilots, aviation technicians and inspectors at the State Police. Parole and probation agents at DPSCS that are 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 the Department of Budget and Management (DBM) are moved into 4-level class series.

¹¹ The fiscal 2015 allowance provides one-grade increases for the following classifications: psychologist positions; DBM operating and capital analysts; park technicians at the Department of Natural Resources; direct care workers and geriatric assistants at DHMH; physician program manager III (psychiatrists) , A/D counselors, and social worker, criminal justice at DPSCS; loan underwriter series at the Department of Housing and Community Development; pay equity for the planner series at the Maryland Department of Planning and DHMH, and Registered Nurses at DHMH receive a \$3,000 hire bonus and a \$3,000 retention bonus for 24/7 facilities.

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

**Description of Position Changes
Fiscal 2014 and 2015 Budgets**

Fiscal 2014

New Positions (389.7 positions)

- The fiscal 2014 working appropriation includes 346.0 full-time equivalent positions created by higher education institutions through “flex” personnel autonomy.
- 34.7 positions created by the Board of Public Works for:
 - 10.0 positions were created at the Department of Housing and Community Development (DHCD) to support spending associated with the Customer Investment Fund that was created as a result of the merger between Exelon and Constellation Energy Group, Inc.
 - 10.0 positions at the Maryland Transit Administration (MTA) for weekend Maryland Area Regional Commuter service and increased commuter bus service in Southern Maryland.
 - 10.0 positions at the Maryland State Police (MSP) for new pilots so that 2.0 pilots will operate the new helicopter at all times.
 - 4.5 positions (2.0 positions at the Office of the State Prosecutor and 2.5 positions at the State Board of Elections) to implement Chapter 419 of 2013 (the Campaign Finance Reform Act of 2013).
 - 0.2 positions at the Department of Labor, Licensing, and Regulation (DLLR) to have a full-time teacher in the Correctional Occupation program.
- There are 8.0 new positions in fiscal 2014 at the State Lottery and Gaming Control Agency to help with the opening of the Baltimore Casino, background investigations, and a director of enforcement.
- 1.0 new position at the Department of Mental Health and Hygiene (DHMH) for the opening of the new lab building.

Position Transfers

- 1 new position at the Maryland State Department of Education (MSDE) as a position was transferred from a nonbudgeted position to a budgeted position. The position is 100% federally funded.
- The Department of Business and Economic Development (DBED) had 2 positions in the Office of Sports Marketing transferred to the Maryland Stadium Authority to nonbudgeted status.
- 1 position was transferred from the Military Department to the Department of Juvenile Services to assist with a human resources backlog.

Fiscal 2015

New Positions

- The Maryland Department of Transportation has 372.0 new positions. There are 20.0 new positions at the State Highway Administration, with 15.0 to support the increased capital program and 5.0 contractual conversions; 152.5 positions at the Motor Vehicle Administration (MVA), with 76.5 contractual conversions and 76.0 new positions to help reduce customer wait times; 198.0 new positions at MTA, with 165.0 positions to account for temporary employees in bus operations and 33.0 positions to support operations; and 1.5 contractual positions converted to permanent positions in the Secretary's Office.
- The Judiciary has 113.0 new positions which include 38.0 contractual conversions, 28.0 new staff for various Clerks of the Circuit Court offices, 19.0 new judges and support staff, 16.0 new staff for Administrative Office of the Courts, 11.0 new staff for District Courts, and 1.0 new staff for judicial information services.
- The Department of Public Safety and Correctional Services (DPSCS) has 109.0 new positions, with 100.0 new correctional officer positions, in accordance with language added to the fiscal 2014 budget bill by the General Assembly, 2.0 administrative positions within the Central Hiring Unit to assist with employee recruitment and examinations, and 7.0 positions for the expansion of the department's Canine Unit.
- The State Lottery and Gaming Control Agency has 22.1 new positions, with 16.1 positions for the Baltimore City casino and 6.0 positions to assist with background checks.
- MSP has 25.0 new position and 1.0 position transfer. The 24.0 new positions include 10.0 new Helicopter pilots, 9.0 positions for the Maryland Coordination and Analysis Center (MCAC), and 6.0 positions for the crime lab at Hagerstown.

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- The State Department of Assessments and Taxation includes 25.0 new positions for the following purposes: 15.0 are new real estate assessors, 1.0 new information technology person, and 9.0 positions to process tax credit applications. Of the new positions, 10.0 are in response to legislative audit findings.
- DHMH has 20.0 new positions, with 4.0 contractual conversions, 7.0 new positions in Pharmacy, 5.0 in Behavioral Health, 3.0 to deal with the Medicare waiver, and 1.0 in the Chief Medical Examiner office.
- The Comptroller’s office has 12.0 contractual conversions associated with the MVA tax clearance project.
- The Department of General Services has 13.5 contractual conversions.
- The Department of Human Resources (DHR) has 3.0 new positions for caseworkers in Baltimore County in the Family Investment Program.
- The Maryland Department of the Environment has 21.0 new positions, including 11.0 positions, 5.0 of which are contractual conversions for workload related to lead poisoning, 8.0 positions to review projects in the water management administration, and 2.0 positions for monitoring of dam safety and shellfish water quality.
- DHCD has 4.0 new positions for contractual conversions.
- The Department of Budget and Management has 7.0 new positions, which include 3.0 contractual conversions, 3.0 new attorneys general in the Central Collection Unit to assist in legal measures, and 1.0 new attorney general in the Department of Information Technology.
- The Department of Natural Resources (DNR) has 11.0 new positions, with 6.0 new positions for the Natural Resources Police class and 5.0 contractual conversions.
- The Department of Agriculture has 2.0 contractual conversions.
- The Department of Veterans Affairs has 2.0 positions for the Camp Springs Veterans office.
- State Archives has 6.0 contractual conversions.
- The State Board of Elections has 1.6 positions, with 1.0 to implement the Campaign Finance Reform Act of 2013 and 0.6 positions for a contractual conversion.
- The State Ethics Commission has 1.0 contractual conversion.

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- The Department of Disabilities has 2.0 contractual conversions.
- DLLR has 4.0 new positions that will be wage and hour investigators.
- MSDE has 10.0 new positions to provide assistance as federal funding for the Race to the Top program ends to ensure reforms continue.

Abolished Positions

- DHR has 30.0 vacant positions abolished throughout the agency.
- DHMH has 14.25 long-term vacant positions abolished.
- St. Mary's College of Maryland has 16.0 positions that are abolished due to lower enrollment.
- DPSCS has 4.0 long-term vacant positions within the Drinking Driver Monitor Program (DDMP) that are abolished in the fiscal 2015 allowance because the revenues generated from DDMP fees cannot fully support operating costs.
- The Comptroller's Office had 3.0 vacant positions abolished.
- DBED had 2.0 positions abolished as federal grants for military and international affairs ended.
- DLLR had 9.4 vacant positions abolished, with 6.4 in the Division of Unemployment Insurance and 3.0 vacant positions in the Division of Racing.
- DNR had 1.0 vacant position abolished.

Transferred Positions

- MSP had 1.0 position transfer from Military to MCAC.

Spending Affordability Position Calculation

	<u>Executive Branch*</u>	<u>All State Agencies</u>
Fiscal 2014 Legislative Appropriation	50,436.2	79,832.5
Positions Created through BPW or Flex Autonomy	33.7	379.2
Abolished Positions	-63.7	-79.7
Positions Created	672.8	794.8
Total Fiscal 2015 Positions	51,089.1	80,926.9
Positions Excluded by SAC		
Contractual Conversions		181.1
New Correctional Officers		100.0
Legislative Audit Deficiencies		10.0
<i>Subtotal</i>		<i>291.1</i>
Total SAC Positions		80,635.8
SAC Limit		80,688.0
Positions Over (Under) SAC		-52.3

BPW: Board of Public Works
 SAC: Spending Affordability Committee

*Excluding higher education institutions

Source: Department of Legislative Services

Analysis of Vacancies and Turnover Rate
Fiscal 2014 Working Appropriation Compared to February 2014 Vacancies
(Adjusted for Pension Reduction and Cost Containment)

<u>Department/Service Area</u>	<u>Positions</u>	<u>Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>Vacancies</u>	<u>Vacancies Above or (Below) Turnover</u>
Health and Human Services					
Health and Mental Hygiene	6,406	5.5%	354	578	223
Human Resources	6,529	6.4%	416	558	142
Juvenile Services	2,078	5.8%	120	194	74
Subtotal	15,013	5.9%	888	1,330	440
Public Safety					
Public Safety and Correctional Services	11,046	4.0%	439	575	136
Police and Fire Marshal	2,424	5.6%	137	192	55
Subtotal	13,470	4.4%	576	767	191
Transportation*	8,784	2.9%	257	566	309
Other Executive					
Legal (Excluding Judiciary)	1,505	4.6%	70	137	67
Executive and Administrative Control	1,634	4.4%	71	173	102
Financial and Revenue Administration	2,054	4.2%	87	163	76
Budget and Management and DoIT	441	3.5%	16	44	29
Retirement	205	3.7%	8	17	9
General Services	580	5.8%	34	54	20
Natural Resources	1,295	5.2%	68	108	40
Agriculture	383	6.3%	24	38	14
Labor, Licensing, and Regulation	1,647	7.3%	120	147	27
MSDE and Other Education	1,973	6.0%	119	190	71
Housing and Community Development	337	5.5%	19	29	10
Business and Economic Development	222	4.2%	9	17	8
Environment	937	6.5%	61	88	26
Subtotal	13,212	5.3%	704	1,209	504
Executive Branch Subtotal	50,478	4.7%	2,425	3,872	1,439

DoIT: Department of Information Technology
 MSDE: Maryland State Department of Education

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

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

**Analysis of Vacancies and Turnover Rate
Fiscal 2015 Allowance Compared to February 2014 Vacancies
(Adjusted for Pension Reduction)**

<u>Department/Service Area</u>	<u>Positions</u>	<u>Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>Vacancies</u>	<u>Vacancies Above or (Below) Turnover</u>
Health and Human Services					
Health and Mental Hygiene	6,413	5.7%	364	578	213
Human Resources	6,502	6.9%	449	558	109
Juvenile Services	2,078	5.5%	115	194	80
Subtotal	14,993	6.2%	925	1,330	403
Public Safety					
Public Safety and Correctional Services	11,151	3.9%	430	575	145
Police and Fire Marshal	2,450	3.8%	92	192	99
Subtotal	13,601	3.8%	521	767	245
Transportation*	9,156	3.0%	276	566	290
Other Executive					
Legal (Excluding Judiciary)	1,505	4.8%	72	137	65
Executive and Administrative Control	1,646	5.0%	82	173	91
Financial and Revenue Administration	2,109	4.5%	94	163	68
Budget and Management and DoIT	448	3.0%	13	44	31
Retirement	205	4.4%	9	17	8
General Services	594	5.9%	35	54	19
Natural Resources	1,305	4.2%	54	108	54
Agriculture	385	6.5%	25	38	13
Labor, Licensing, and Regulation	1,641	4.2%	69	147	78
MSDE and Other Education	1,983	6.4%	127	190	62
Housing and Community Development	341	5.5%	19	29	10
Business and Economic Development	220	4.0%	9	17	8
Environment	958	6.8%	65	88	22
Subtotal	13,339	5.0%	673	1,209	535
Executive Branch Subtotal	51,088	4.6%	2,395	3,872	1,467

DoIT: Department of Information Technology
MSDE: Maryland State Department of Education

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

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

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

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	115.50	115.50	116.50	1.00	0.9%
02 Contractual	1.80	2.70	1.70	-1.00	-37.0%
Total Positions	117.30	118.20	118.20	0.00	0%
Objects					
01 Salaries and Wages	\$ 22,293,930	\$ 16,655,000	\$ 64,512,439	\$ 47,857,439	287.3%
02 Technical and Spec. Fees	86,125	53,981	63,429	9,448	17.5%
03 Communication	177,795	266,550	271,123	4,573	1.7%
04 Travel	31,019	18,900	18,500	-400	-2.1%
08 Contractual Services	3,276,214	3,177,943	3,346,643	168,700	5.3%
09 Supplies and Materials	21,561	35,000	25,000	-10,000	-28.6%
10 Equipment – Replacement	4,774	2,600	13,300	10,700	411.5%
13 Fixed Charges	166,146	169,935	178,336	8,401	4.9%
Total Objects	\$ 26,057,564	\$ 20,379,909	\$ 68,428,770	\$ 48,048,861	235.8%
Funds					
01 General Fund	\$ 19,085,080	\$ 11,437,900	\$ 47,430,054	\$ 35,992,154	314.7%
03 Special Fund	30,526	1,601,795	8,410,800	6,809,005	425.1%
05 Federal Fund	0	228,137	5,035,195	4,807,058	2107.1%
09 Reimbursable Fund	6,941,958	7,112,077	7,552,721	440,644	6.2%
Total Funds	\$ 26,057,564	\$ 20,379,909	\$ 68,428,770	\$ 48,048,861	235.8%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
Department of Budget and Management – Personnel

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
01 Executive Direction	\$ 1,780,869	\$ 2,046,989	\$ 2,175,206	\$ 128,217	6.3%
02 Division of Employee Benefits	6,689,865	6,785,614	7,148,796	363,182	5.4%
04 Division of Employee Relations	985,020	1,405,977	1,559,500	153,523	10.9%
06 Division of Classification and Salary	1,932,978	2,201,641	2,262,603	60,962	2.8%
07 Division of Recruitment and Examination	1,509,536	1,540,506	1,417,514	-122,992	-8.0%
08 Statewide Expenses	13,159,296	6,399,182	53,865,151	47,465,969	741.8%
Total Expenditures	\$ 26,057,564	\$ 20,379,909	\$ 68,428,770	\$ 48,048,861	235.8%
General Fund	\$ 19,085,080	\$ 11,437,900	\$ 47,430,054	\$ 35,992,154	314.7%
Special Fund	30,526	1,601,795	8,410,800	6,809,005	425.1%
Federal Fund	0	228,137	5,035,195	4,807,058	2107.1%
Total Appropriations	\$ 19,115,606	\$ 13,267,832	\$ 60,876,049	\$ 47,608,217	358.8%
Reimbursable Fund	\$ 6,941,958	\$ 7,112,077	\$ 7,552,721	\$ 440,644	6.2%
Total Funds	\$ 26,057,564	\$ 20,379,909	\$ 68,428,770	\$ 48,048,861	235.8%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.