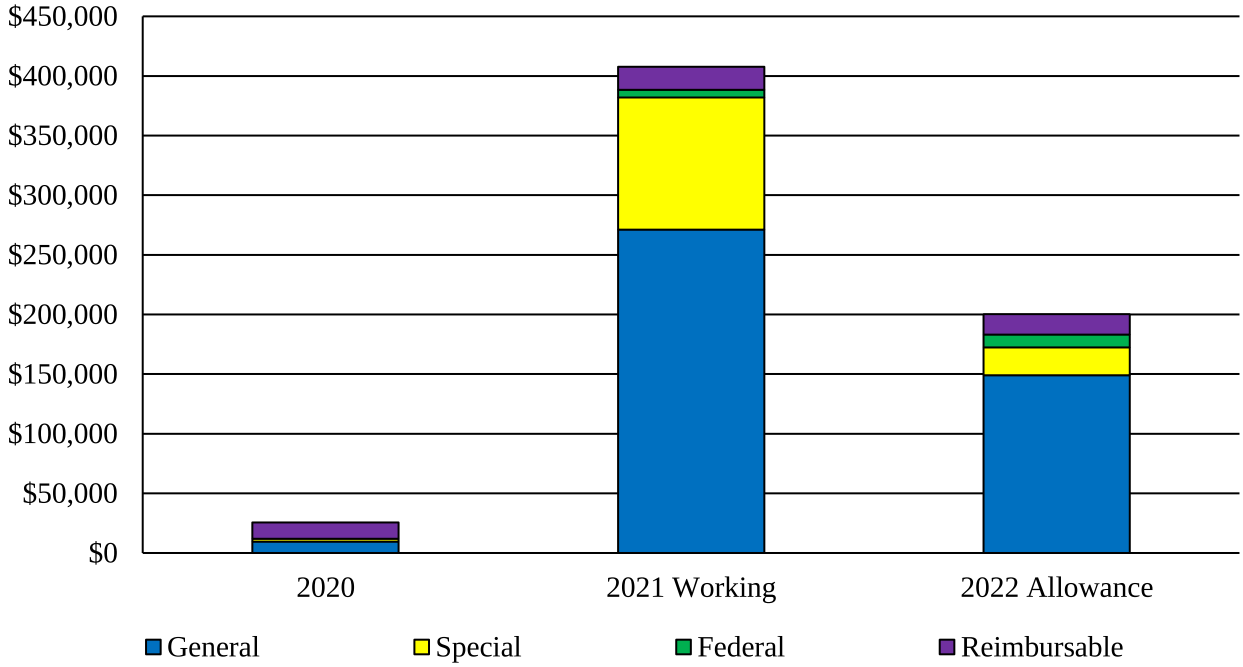
F10A02
Personnel
Department of Budget and Management

Executive Summary

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

Operating Budget Summary

Fiscal 2022 Budget Decreases by $207.6 Million, or 50.9%, to $200.2 Million
($ in Thousands)



Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and a general salary increase. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increase.

- The fiscal 2021 working appropriation reflects $300 million in funding (a $200 million general fund deficiency appropriation; $100 million in special funds that have been moved by amendment to other State agencies) for statewide COVID-19 relief efforts.

- The fiscal 2022 allowance does not include funding for statewide salary increases.

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Key Observations

- ***COVID-19 Dramatically Alters State Employees' Jobs:*** The COVID-19 virus has infected thousands of State employees and killed at least 10. It has changed the way many employees work, converted many employees to teleworkers, and resulted in temporary pay increases for some. It has also had secondary impacts, such as reducing workers' compensation claims.

- ***Employee and Retiree Health Insurance Account:*** The Employee and Retiree Health Insurance Account is expected to close fiscal 2022 with a negative reserve fund balance. Premiums increased in 2021 for employees for the first time since calendar 2017. Pandemic impacts limited cost increases in fiscal 2020 and 2021.

- ***Pharmacy Benefits Manager (PBM) Reverse Auction Legislation Being Implemented:*** Chapter 434 of 2020 requires the use of a reverse auction to select a PBM for the Maryland Rx Program under the State Employee and Retiree Health and Welfare Benefits Program. Implementation is underway but taking longer than anticipated.

- ***Conditional Salary Increases for Most Employees:*** Two State employee bargaining units have negotiated a bonus and salary increase in fiscal 2022 conditional on revenue exceeding expectations.

- ***SmartWork Program Participation Low:*** Despite increased funding for the program in fiscal 2022, participation in the State employee student loan reimbursement plan remains low.

Operating Budget Recommended Actions

		Funds
1.	Adopt committee narrative requesting the department to submit closeout information on the Employee and Retiree Health Insurance Account.	
2.	Adopt committee narrative requesting the department to submit quarterly reports on prescription drug plan performance.	
3.	Adopt committee narrative requesting the department to submit quarterly medical and dental plan performance reports.	
4.	Adopt committee narrative requesting a report on implementation of a reverse auction for the State's pharmacy benefits manager.	
5.	Adopt narrative requesting quarterly reporting on disaster relief funds from the Federal Emergency Management Agency.	

6.	Delete double-budgeted funds in the statewide program for St. Mary's College of Maryland salary actions.	$305,604
7.	Reduce funding for SmartWork Program.	2,000,000
8.	Delete funding for COVID-19 relief based on the expectation of increased federal aid.	200,000,000
9.	Add a section for annual language restricting the movement of employees into abolished positions.	
10.	Add a section for annual language requiring reporting of employee and retiree health insurance receipts and spending.	
11.	Add a section requiring the Department of Budget and Management to authorize the Injured Workers' Insurance Fund to use a certain amount of funds for workers' compensation settlements.	
12.	Add a section for annual language requiring a report on State positions.	
13.	Add a section requiring monthly reporting on the State's workers' compensation account held by the Injured Workers' Insurance Fund.	
14.	Add a section for the annual "Rule of 100" limit on position creation.	
	Total Reductions to Fiscal 2021 Deficiency Appropriation	**$200,000,000**
	Total Reductions to Allowance	**$2,305,604**

Budget Reconciliation and Financing Act Recommended Actions

1. Add a provision to revert an excess of $1,784,036 in fiscal 2021 general funds in the statewide program.

Updates

- Overall vacancy rates for the Executive Branch remain high as of January 2021. While the vacancy rate in the Department of Public Safety and Correctional Services, which has the highest rate among agencies, has declined two years in a row, this is primarily due to the elimination of hundreds of vacant positions.

Operating Budget Analysis

Program Description

The Department of Budget and Management (DBM) 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 SPMS, except for employees of higher education institutions and the Maryland Department of Transportation (MDOT). Positions in the Legislative and Judicial branches of State government are also outside of SPMS. OPSB administers State personnel policies and health benefits through the following programs:

- ***Executive Direction:*** The executive director acts as the State's chief negotiator in collective bargaining with State employee labor unions. The program includes the Employee and Labor Relations Division and Employee Assistance Program. Beginning in fiscal 2020, the cost of the Statewide Personnel System is budgeted in this program.

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

- ***Division of Personnel Services:*** The division provides guidance on personnel matters and processes payroll for all SPMS employees while also acting as the human resources office for DBM and 19 other State agencies.

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

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

There are two programs provided in the DBM OPSB budget for funding to be applied statewide:

- ***Statewide Program:*** Funding provided for actions that impact all or multiple State agencies is provided in this program and is usually distributed to applicable State agencies by budget amendment, such as salary increases.

- ***SmartWork:*** This program, launched in fiscal 2020, provides funding to offer State employees who work in specified shortage areas the opportunity to receive repayment of student loans for themselves or a child.

Performance Analysis: Managing for Results

1. Wellness Program Performance Measures

In an effort to address escalating medical and prescription drug costs, the State implemented a wellness program in calendar 2015. In calendar 2021, members can earn waived copays for primary care physician (PCP) visits if members complete a Health Risk Assessment and designate a PCP and can receive $5 off specialist copays by completing age or gender-specific preventive screenings.[1] Additionally, virtual visits were free in many cases for much of calendar 2020 until January 20, 2021, to encourage visits during the COVID-19 pandemic. In calendar 2019, 21,390 members, or 17% of the eligible population, met the PCP copay waiver requirements. The program cost the State $1.7 million in calendar 2019. **Exhibit 1** shows wellness measures provided with the fiscal 2022 budget.

Exhibit 1
Wellness Program Measures
Calendar 2014-2020 Est.

Screening	2014	2015	2016	2017	2018	2019	2020	Percentage Point Change 2014-2020
Mammogram	48.9%	53.2%	50.5%	51.8%	51.3%	51.1%	53.1%	4.3
Colonoscopy	31.5%	34.6%	35.8%	40.4%	40.8%	41.0%	38.8%	7.3
Physical Exam	37.5%	50.9%	39.5%	42.0%	42.9%	43.4%	44.0%	6.5
Nephropathy	65.5%	71.8%	68.9%	68.2%	67.0%	68.3%	66.7%	1.2
2+A1C Tests*	44.4%	60.8%	61.1%	60.8%	59.4%	60.8%	59.8%	15.5
Blood Glucose	45.7%	86.2%	65.0%	81.6%	81.2%	82.4%	85.7%	40.0

* A 2+A1C test measures the percentage of hemoglobin coated with sugar. It is a test for members with diabetes.

Source: Fiscal 2022 Managing for Results; Department of Budget and Management

Implementation of the program in calendar 2015 corresponds with an increase in participation for all wellness screenings. In calendar 2019, the program added several new offerings, including onsite blood pressure seminars and screenings and a diabetes prevention program. Several new programs have been added for calendar 2020, including a healthy lifestyle course and an initiative on musculoskeletal health. Calendar 2020 is a rollover year for the program, meaning 2019 requirements carry forward.

[1] Kaiser Integrated Health Model, Medicare-eligible retirees, and State Law Enforcement Officers Labor Alliance members do not participate in the wellness program.

One of the goals of the wellness program is to mitigate the cost of chronic conditions of State employees and retirees. **Exhibit 2** provides these costs from calendar 2013 to 2019 and how they compare to total plan costs. The total cost of chronic conditions increased faster than the rate of total plan costs in calendar 2019 for the second year in a row. This trend could lead to faster growth in health plan costs if it continues.

Exhibit 2
State Cost of Chronic Conditions
Calendar 2013-2019
($ in Millions)

Condition	2013	2014	2015	2016	2017	2018	2019
Diabetes	$96.0	$104.5	$118.4	$127.9	$135.2	$149.9	$152.7
Hypertension	138.1	141.5	157.4	153.7	154.3	161.6	170.1
Hyperlipidemia	73.3	69.3	66.2	62.1	60.9	62	64.1
Heart Disease	130.5	140.3	136.4	133.7	142.1	153.2	159.8
Asthma/COPD	42.5	43.2	43.7	46.8	53.4	55.8	60.8
Total Cost of Chronic Conditions	**$480.4**	**$498.8**	**$522.1**	**$524.2**	**$545.9**	**$582.5**	**$607.5**
% of Total Plan Costs	**50.1%**	**48.5%**	**48.1%**	**46.6%**	**46.5%**	**48.0%**	**48.0%**
Plan Costs	**$958.5**	**$1,027.9**	**$1,085.9**	**$1,124.6**	**$1,175.1**	**$1,214.9**	**$1,259.8**
Growth of Chronic Conditions		3.8%	4.7%	0.4%	4.1%	7.5%	4.3%
Growth of Plan Costs		7.2%	5.6%	3.6%	4.5%	3.8%	3.7%

COPD: chronic obstructive pulmonary disease

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

Source: Segal Advisors

Fiscal 2021

Proposed Deficiency and Other COVID-19 Response Funding

The fiscal 2021 working appropriation currently reflects $300 million in COVID-19 response funding in the statewide program.

Of that amount, $200 million is a general fund deficiency appropriation for COVID-19 relief purposes, the majority of which do not currently have a designated purpose. The department advises that an estimated $32.5 million would be used to pay for quarantine pay, and that some of the funds will be used to cover additional inmate medical costs incurred with the Department of Public Safety and Correctional Services' (DPSCS) response to COVID-19. According to the Governor's Budget Highlights, the funds will be used to cover public health costs or other assistance to State residents, but DBM has not provided further details.

However, significant federal funding is not yet reflected in the fiscal 2021 working appropriation. For example, the Federal Emergency Management Agency (FEMA) has indicated that it will reconsider COVID-19-related expenditures back to January 2020 and that certain eligible emergency measures – such as medical supplies, overtime, and law enforcement expenditures – would be covered by a 100% cost share rather than the typical 75%. The Maryland Emergency Management Agency (MEMA) notes that as of January 2021, $750 million in public assistance funding has been obligated for fiscal 2020 and 2021. Based on fiscal 2020 claims alone, the rule change would likely generate over $180 million in additional disaster relief funding, which would backfill general funds and coronavirus relief funds to then be used elsewhere. To date, MEMA has announced confirmation of $341 million in FEMA disaster relief funding.

Federal grants distributed by the Maryland Department of Health (MDH) to Local Health Departments, as well as reimbursements to other State agencies for COVID-19-related spending, are also not entirely reflected in the fiscal 2021 working appropriation; nor is funding from the U.S. Centers for Disease Control and Prevention for crisis response and other grants, totaling several hundred million dollars. (Further discussion of these federal funding issues can be found in the analyses of the Military Department and various MDH departments.)

Additionally, current federal legislation in Congress is proposing billions of dollars of additional aid to state and local governments. **The Department of Legislative Services (DLS) recommends deleting the $200 million general fund deficiency appropriation based on the expectation of increased federal aid and the lack of specificity of the uses of the funds. DLS also recommends adopting committee narrative requesting quarterly reporting on the State's allocation and use of disaster relief funds from FEMA.**

The fiscal 2021 working appropriation also reflects $100 million in special funds from the Emergency Rapid Relief Fund that was part of the Governor's $250 million Economic Recovery Initiative. These funds have already been distributed to the Department of Commerce ($80 million), the Department of Housing and Community Development ($15 million), and the Maryland Technology Development Corporation ($5 million). Further information about these funds can be found in those agencies' respective analyses.

Cost Containment

Statewide Cost Containment

The Board of Public Works (BPW) at its July 1, 2020 meeting reduced funding for the fiscal 2021 contribution to the State's fund for unemployment insurance. The reduction totaled $13.1 million ($9.3 million in general funds). The State is self-insured and maintains a separate account for this purpose. A proposed action in the Budget Reconciliation and Financing Act (BRFA) of 2021 would transfer $30 million of the fund's balance to the General Fund, which would leave an estimated closing fiscal 2021 balance of about $7.8 million. The State spends approximately $1.7 million per quarter on unemployment claims.

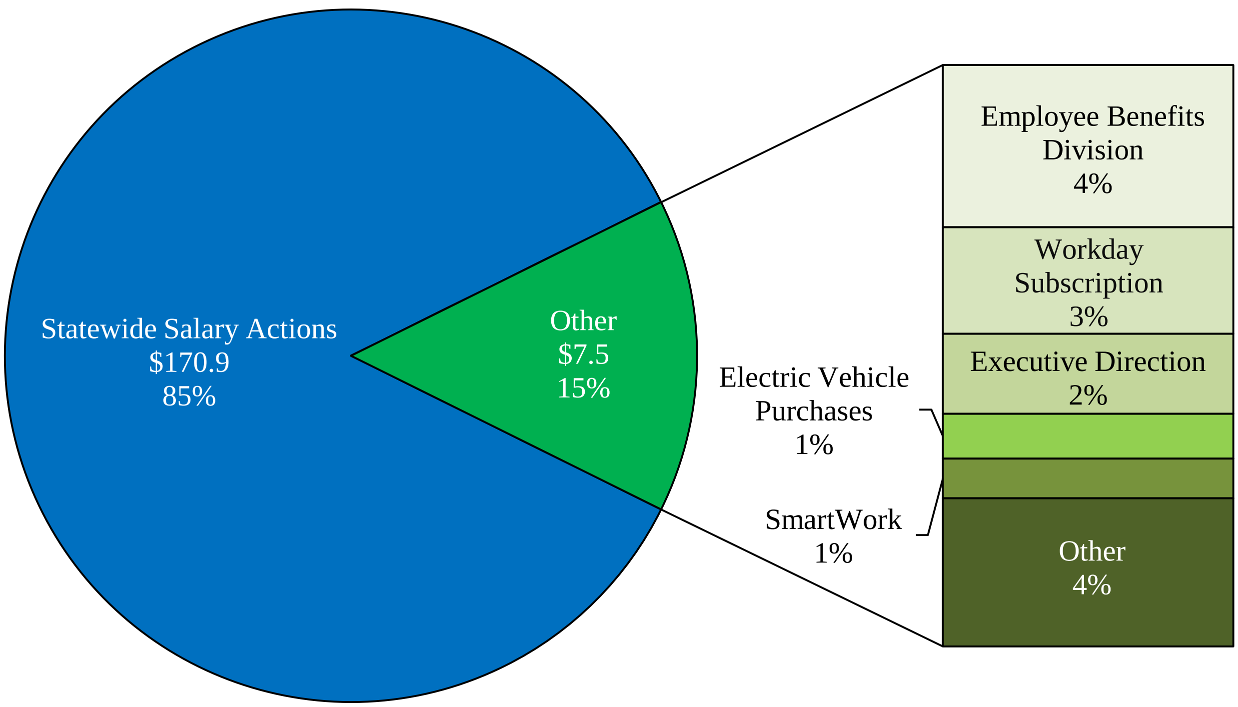
OPSB Cost Containment

In OPSB, BPW reduced funding for the SmartWork program by $100,000 in general funds. This program is discussed further later in this analysis. BPW also eliminated 1.8 vacant positions at OPSB at a savings of approximately $140,000 and reduced other personnel costs (including the agency's share of the unemployment insurance reduction noted above) by about $382,000, contractual services by $18,000, and travel costs by $3,500.

Fiscal 2022 Overview of Agency Spending

Exhibit 3 provides an overview of the fiscal 2022 allowance for OPSB. Statewide salary actions make up 85% of the budget, with funding for the Employee Benefits Division making up 4% of the allowance.

Exhibit 3
Overview of Agency Spending
Fiscal 2022 Allowance
($ in Millions)

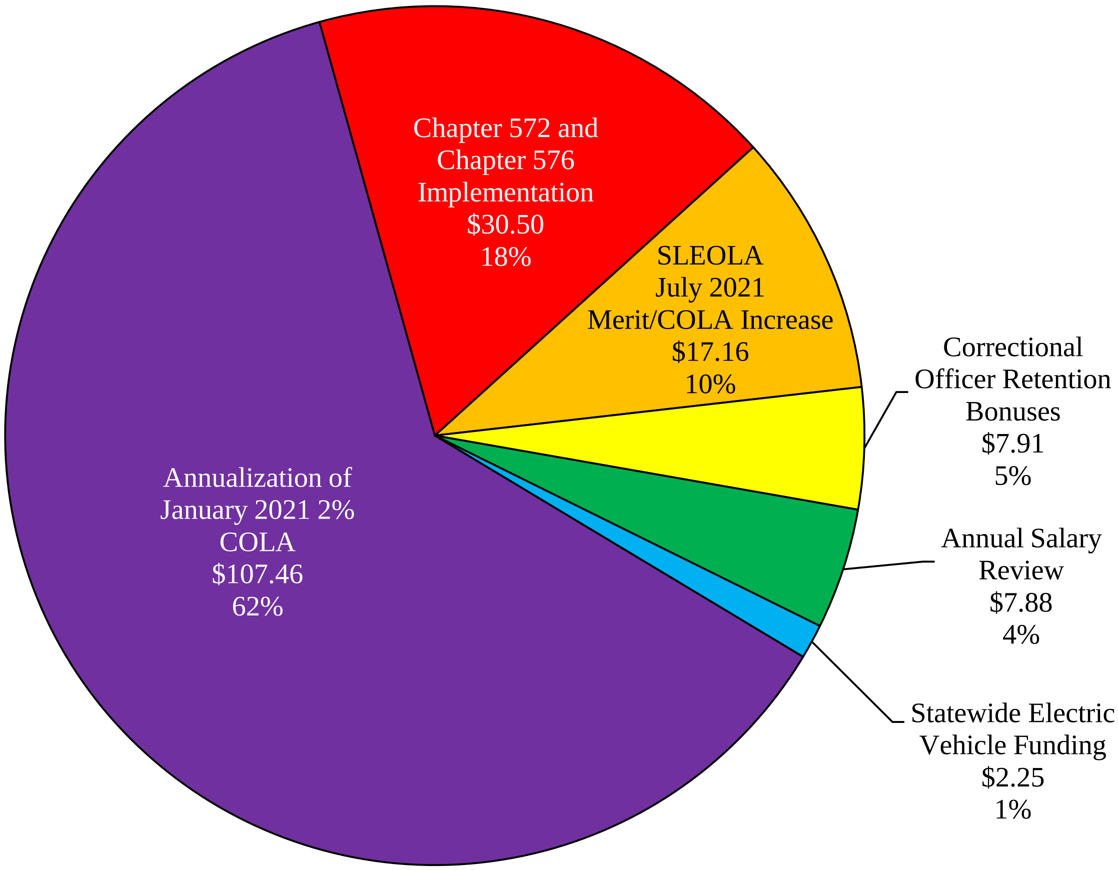


Source: Governor's Fiscal 2022 Budget Books

Statewide Program

Exhibit 4 shows the Statewide Expenses program's fiscal 2022 allowance of $173.2 million ($138.8 million in general funds), which is primarily for personnel costs across State agencies.

Exhibit 4
Statewide Program
Fiscal 2022
($ in Millions)



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

Note: Chapter 572 requires salary increases for certain security staff at State hospitals, Chapter 576 requires salary increases for certain patient care staff at Clifton T. Perkins Hospital.

Source: Governor's Fiscal 2022 Budget Books

Annualization of January 1, 2021 2% General Salary Increase

The largest portion of the statewide program is $107.5 million ($81.2 million in general funds) for a full year's cost of the 2% salary increase that was effective January 1, 2021. The general fund aid to higher education institutions portion of the allowance includes $305,604 for this purpose for St. Mary's College of Maryland; that amount is provided for in the statewide program as well. **DLS recommends deleting $305,604 in general funds.**

4% General Salary Increase and Increments for the State Law Enforcement Officers Labor Alliance Members Effective July 1, 2021.

The fiscal 2022 allowance also includes $17.2 million ($14.2 million in general funds) for a 4% general salary increase and increments that are effective July 1, 2021.

Correctional Officer Bonuses

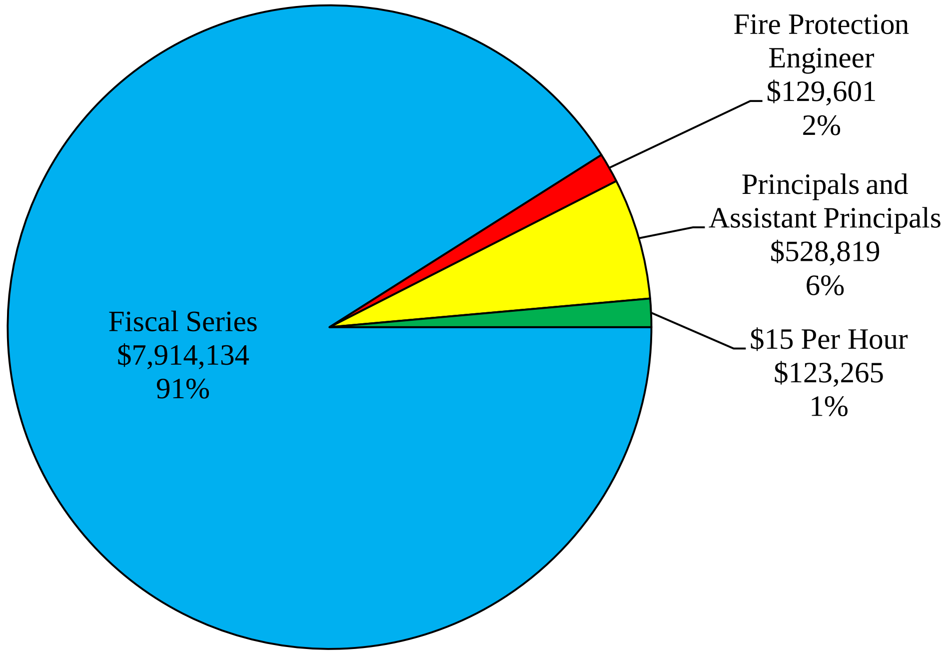
The fiscal 2022 allowance includes $7.9 million in general funds for recruitment and retention bonuses for correctional officers (CO). The bonuses provide $7,500 upon agreeing to stay on the job for at least four years, a $7,500 bonus two years after the agreement, and $22,500 after completing the four-year agreement.

Annual Salary Review

The fiscal 2022 allowance includes $7.9 million ($5.1 million general funds) for targeted salary increases for fiscal specialists, fire protection engineers, principals, and to increase pay to $15 per hour for employees in the SPSM and MDOT; this would not necessarily apply to State employees in Higher Education or non-budgeted agencies. However, DBM has found that there are not enough funds in the allowance for the change to a minimum rate of $15 per hour due to a miscount of the number of employees eligible; the department states that it plans to add funding via a Supplemental Budget.

The vast majority of these funds go to fiscal specialists, as shown in **Exhibit 5**. The change applies to more than 2,000 employees across the State, with a disproportionate share of the funds going to the State Treasurer's Office and the Office of the Comptroller. The affected positions include accountants, revenue examiners, economists, grant specialists, and auditors. DBM states that the focus on these classes of employees is in response to agency concerns about recruiting and retaining fiscal staff.

Exhibit 5
Annual Salary Review
Fiscal 2022



Source: Department of Budget and Management

Health Care Worker Salary Increases

The fiscal 2022 allowance includes $30.5 million in general funds to provide funding for the impact of Chapter 572 of 2020 and Chapter 576 of 2020, both of which require salary increases for certain State health care workers. Chapter 572 ($4.7 million) requires that the salaries of certain security staff at State hospitals be equivalent to COs with similar training. Chapter 576 ($25.8 million) requires salary enhancements for certain patient care staff at Clifton T. Perkins Hospital Center and other facilities where forensic admissions in the prior fiscal year make up 75% of admissions. Further discussion of these salary increases can be found in the MDH – Administration analysis.

Electric Vehicle Purchase

As required by Chapter 565 of 2019, funds from the Strategic Energy Investment Fund will be used to purchase plug-in hybrid electric and fully electric vehicles for State agencies. The fiscal 2022 allowance includes $2.25 million in special funds for this purpose. The funds were budgeted in DBM in fiscal 2020 and in the Maryland Energy Administration in fiscal 2021. In fiscal 2020, DBM purchased 5 full electric vehicles and 68 plug-in hybrid vehicles.

Proposed Budget Change

As shown in **Exhibit 6**, the fiscal 2022 allowance totals $200.2 million, a decrease of 50.9% from the fiscal 2021 working appropriation. In fiscal 2021, $300 million is dedicated to COVID-19 relief efforts and has been or will be distributed to various State agencies. In both fiscal 2021 and 2022, large amounts are dedicated to statewide salary actions; both of which distort year-to-year comparisons.

Exhibit 6
Proposed Budget
Department of Budget and Management – Personnel
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimbursable Fund	Total
Fiscal 2020 Actual	$9,432	$2,550	$0	$13,628	$25,610
Fiscal 2021 Working Appropriation	271,249	110,641	6,546	19,389	407,824
Fiscal 2022 Allowance	148,903	23,387	10,946	16,999	200,235
Fiscal 2021-2022 Amount Change	-$122,346	-$87,254	$4,400	-$2,390	-$207,590
Fiscal 2021-2022 Percent Change	-45.1%	-78.9%	67.2%	-12.3%	-50.9%

Where It Goes:	Change
OPSB Personnel Expenses	
Annual Salary Review for OPSB employees	$22
Regular earnings	210
Employee and retiree health insurance	189
Retirement contributions	26
Turnover adjustments	-156
Reclassification	-33
Other fringe benefit adjustments	-26
Statewide Program Changes	
General Fund deficiency appropriation for COVID-related assistance	-200,000
Special Fund COVID-related assistance	-100,000
January 1, 2021, 2% cost-of-living adjustment	54,090
Implementation of Chapter 576 of 2020	25,800
SLEOLA COLA and increments	11,432
Statewide Annual Salary Review	-6,523
Recruitment and retention bonuses primarily for correctional officers	5,120
Implementation of Chapter 572 of 2020	4,700

Where It Goes:	**Change**
Excess funds in Statewide Program	-2,960
Electric vehicle purchases	2,250
Other Changes	
Contractual employee pay	130
Printing and postage to align with actuals	115
Contractual fiscal services to align with actuals	-611
TimeClock Plus implementation at Public Safety	-2,429
SmartWork	1,100
Other changes	-35
Total	**-$207,590**

COLA: cost-of-living adjustment
DPSCS: Department of Public Safety and Correctional Services
OPSB: Office of Personnel Services and Benefits
SLEOLA: State Law Enforcement Officers Labor Alliance

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

Statewide Program Changes

Most of the changes in the statewide program have been discussed previously in this analysis. One other change is due to changes in the estimates of the costs of various portions of the fiscal 2021 statewide salary actions. DLS advises that funding for various statewide salary actions is overbudgeted by approximately $2.7 million ($1.8 million general funds). **DLS recommends adding a provision to the BRFA to revert an excess of $1,784,036 in general funds in the fiscal 2021 working appropriation.**

TimeClock Plus

One-time costs in fiscal 2021 related to the installation and implementation of TimeClock Plus, a computerized biometric time and attendance system at DPSCS, decline by $2.4 million.

Personnel Data

	FY 20 Actual	FY 21 Working	FY 22 Allowance	FY 21-22 Change
Regular Positions	135.40	133.60	133.60	0.00
Contractual FTEs	6.00	2.00	4.00	2.00
Total Personnel	**141.40**	**135.60**	**137.60**	**2.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		7.68	5.75%
Positions and Percentage Vacant as of 12/31/20		14.60	10.93%
Vacancies Above Turnover		6.92	

- BPW cuts in July 2020 eliminated 1.8 long-term vacancies in OPSB.

- As of December 31, 2020, OPSB had a vacancy rate of nearly 11%, well above the budgeted rate of 5.75%; 5 positions have been vacant for longer than 12 months.

Issues

1. COVID-19 Dramatically Alters State Employees' Jobs

The COVID-19 pandemic has significantly impacted the State's employees. Most importantly, it has infected thousands of employees and killed at least 10. It has changed the way many employees work, converted many employees to teleworkers, and resulted in temporary pay increases for some. It has also had secondary impacts, such as reducing workers' compensation claims.

Health Impacts

The health impact on State employees is felt most acutely in congregate facilities, which have seen 6 COVID-19-related deaths and 3,354 cases through the end of January, as shown in **Exhibit 7**.

Exhibit 7
State Employee COVID-19 Cases and Deaths in Congregate Facilities
Through January 27, 2021

	Cases	Deaths
Corrections	2,132	4
State Hospitals	970	2
Juvenile Services	252	0
Total	**3,354**	**6**

Source: coronavirus.maryland.gov

Data updates on congregate facility employees and those in the State's care are provided weekly at coronavirus.maryland.gov. Outside of those facilities, the reporting of COVID-19 cases among State employees is inconsistent. Higher education institutions post regular updates on their respective websites, although some campuses report staff and student cases combined, while other institutions separate the two. MDOT, which does not publicly report cases, does track data internally, and notes that there have been 770 cases, 3 deaths at the Maryland Transportation Authority, and 1 death at the Motor Vehicle Administration. Other agencies with high levels of public contact and lower ability to telework – such as the Department of State Police and Department of Human Services – have also seen significant numbers of cases among employees; however, as with most agencies, it is not always possible to track whether or not transmission occurred on the job. There is no uniform method or requirement for State agencies to track cases, and DBM does not maintain information on State employee COVID-19 cases.

Increased Pay for Certain Workers

The State provided enhanced pay to certain employees responding to the pandemic as part of their employment. From March 13, 2020, to March 22, 2020, employees who were required to report to work received Premium Pay, which was double their hourly rate. Level 1 Response Pay was an additional $3.13 per hour for employees who were determined to be unable to adequately socially distance at work. This category was discontinued as of September 8, 2020. Level 2 Response Pay, also known as quarantine pay, is an additional $5.13 per hour paid to employees who are required to work in COVID-19 quarantine areas. **Exhibit 8** shows the costs and hours worked for the different categories.

Exhibit 8
Premium and Response Pay
Fiscal 2020-2021
($ and Hours in Millions)

	2020	2021
Premium Pay	$39.44	$0.00
Level 1 Response Pay	13.46	7.80
Level 2 Response Pay	8.79	34.25
Total	**$61.69**	**$42.04**
Level 1 Response Hours	4.30	2.49
Level 2 Response Hours	1.71	6.68
Total	**6.01**	**9.17**

Note: Includes State Personnel and Management System and Maryland Department of Transportation employees through January 12, 2021 (regular employees), or January 19, 2021 (contractual employees).

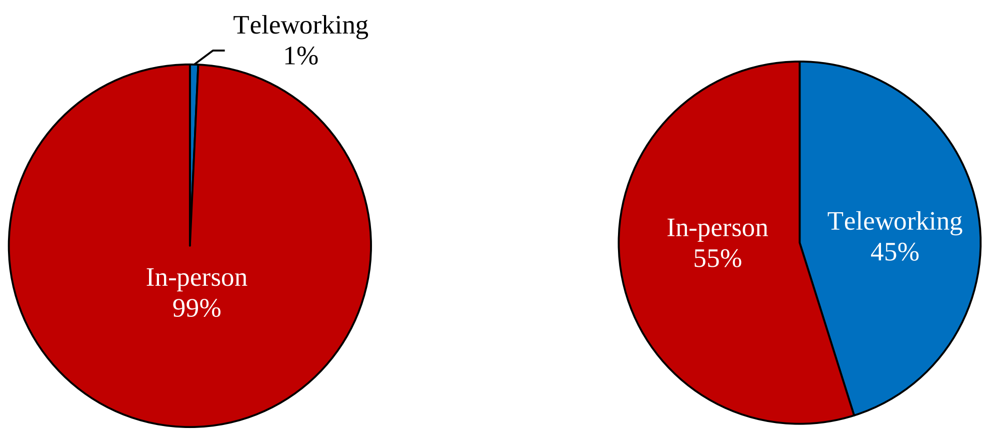
Source: Department of Budget and Management

Teleworking Transforms Workforce

Like many workplaces, the State rapidly transformed as much of its workforce as possible to teleworkers. The current executive order in effect places State employees at Elevated Level II, which calls for flexible operations, eases telework requirements, and mandates telework when possible. The eased requirements allow for children to be at home during work, for work hours to be flexible, and for the elimination of rigid work reporting requirements.

Exhibit 9 shows the number of State employees who worked more than half of their hours via telework in comparable weeks in July 2019 and January 2020 compared to July 2020 and January 2021. The data is self-reported when workers enter their work time in Workday; is limited to employees in the SPMS; and includes regular, contractual, and temporary employees. DBM also notes that the data likely undercounts teleworkers prepandemic, as there was not a strong emphasis on correct recording of the type of work hours recorded by employees. The State workforce has shifted from having virtually no workers who primarily teleworked, to having 45% of its workforce primarily teleworking. **DBM should comment on its future plans for State employee teleworking after pandemic restrictions are eased.**

Exhibit 9
SPMS Share of Teleworking Employees
July 2019 and January 2020 Compared to July 2020 and January 2021



SPMS: State Personnel Management System

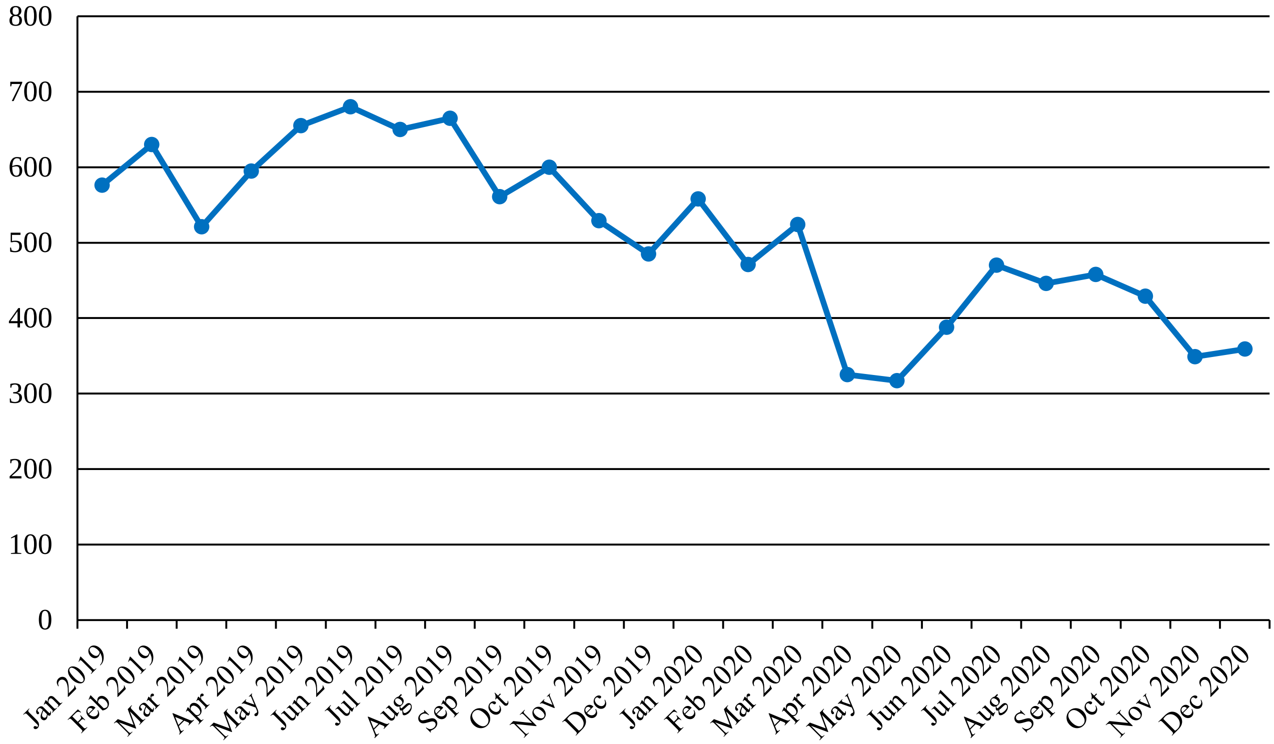
Note: An employee is considered teleworking if a "remote work" tag is used for 50% or more of working time. Data reflects comparable one-week periods in the selected months.

Source: Department of Budget and Management, Workday

Workers' Compensation Cost Savings

Likely due to the shift of the workforce to teleworking, State employees' first report of injuries have declined sharply, as shown in **Exhibit 10**. In calendar 2020, there were 5,094 first reports of injuries, compared to 7,147 in calendar 2019, a 28.7% drop.

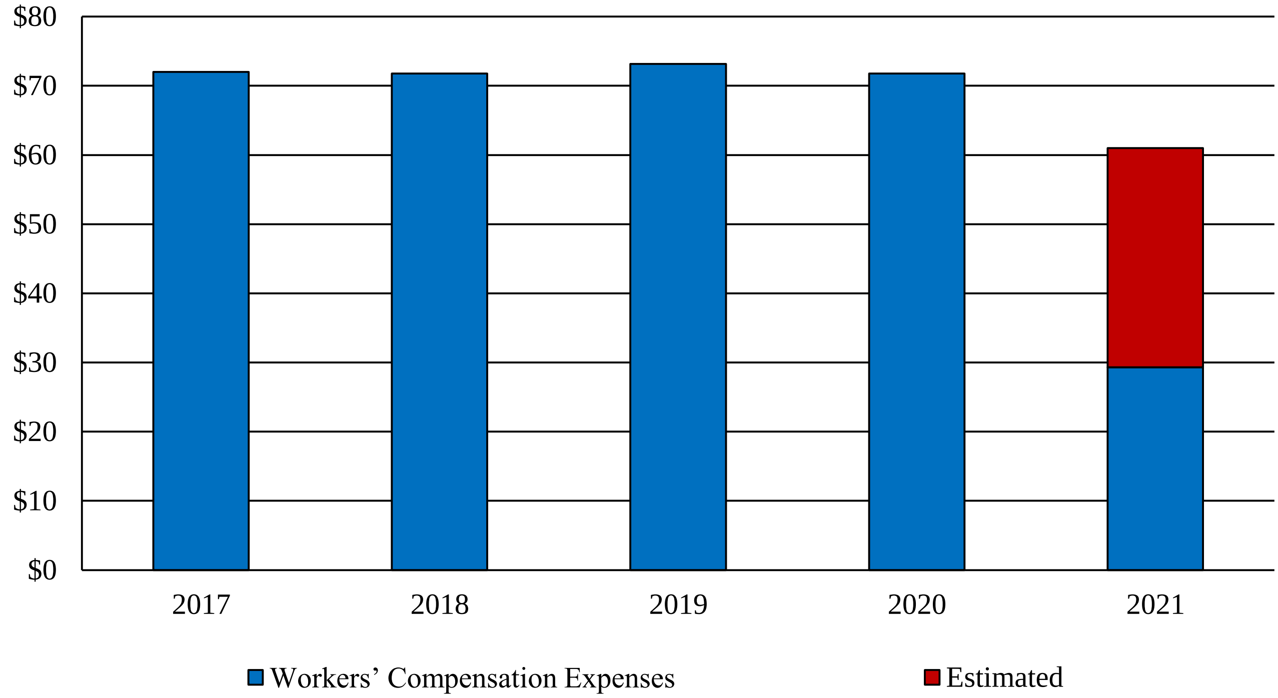
Exhibit 10
State Employees' First Reports of Injury
Calendar 2019-2020



Source: Injured Workers' Insurance Fund

As shown in **Exhibit 11**, the average net cost to the State of workers' compensation claims between fiscal 2017 and 2020 was $72.2 million; in fiscal 2021, it is on pace to be $61 million, which would be 15.5% lower. Assuming approximately $7 million in expenditures from the injured workers' fund, the fiscal 2021 closing balance would be about $28.7 million; the typical closing fund balance is near zero, as the State treats workers' compensation liabilities in a pay-as-you-go manner.

Exhibit 11
Workers' Compensation Expenses
Fiscal 2017-2021
($ in Millions)



Source: Injured Workers' Insurance Fund

The State, which is self-insured for workers' compensation purposes, funds a trust account with which the Injured Workers' Insurance Fund (IWIF) pays claims. In recognition of the overfunding, the State has decreased funding for this purpose from $90.7 million total funds in fiscal 2021 to $72.2 million total funds in the fiscal 2022 allowance. Even with this reduction, DLS estimates a more than $11.4 million closing fund balance for fiscal 2022. DBM provides guidance to IWIF every year regarding the amount of funding to dedicate to settlements of claims. The average settlement amount has been $5 million between 2016 and 2020, although the amounts vary greatly, from $1.8 million to $10.5 million. Increasing the settlement amount can decrease future liabilities, saving the State money. The State also maintains an account – which has a balance of approximately $5 million – dedicated to unfunded workers' compensation liabilities, estimated at $326 million; this is inclusive of nonbudgeted agencies, so the actual State liability is somewhat less. **DLS recommends adding a section to the budget directing DBM to authorize up to $15 million of the fiscal 2022 allowance for workers' compensation to be used for settlements and for any excess balance in the account at the close of fiscal 2022 to be deposited in the account for unfunded liabilities.**

2. Employee and Retiree Health Insurance Account

The Employee and Retiree Health Insurance Account is shown in **Exhibit 12**. The account closed with a year-end fund balance of $143.3 million in fiscal 2020, a decrease of $28.7 million. After accounting for incurred but not received expenses, the account closed with a balance of $71.4 million. Expenditures slightly exceeded revenues into the account as a large fund balance is being spent down. Premiums for most plan members increased 4.5% on January 1, 2021, for the first time since calendar 2017 as health and prescription drug costs have grown at a slower pace than previously expected. There is a projected negative reserve fund balance reflected at the end of fiscal 2022, however, the fund is balanced on a cash basis.

Exhibit 12
Employee and Retiree Health Insurance Account
Fiscal 2019 Actual-2022 Allowance
($ in Millions)

	2019 Actual	2020 Actual	2021 Working	2022 Allowance
Beginning Balance	**$198.8**	**$172.0**	**$143.3**	**$97.7**
Expenditures				
DBM – Personnel Administrative Cost	**$7.8**	**$6.2**	**$9.3**	**$9.1**
Payments of Claims				
Medical	$1,047.3	$1,054.3	$1,096.5	$1,140.3
Prescription*	576.6	646.2	665.1	715.0
Pharmacy Rebates	-117.3	-171.1	-199.6	-206.1
Dental	53.9	49.5	53.8	55.5
Contractual Employee Claims	9.7	9.6	9.7	9.7
Payments to Providers	**$1,570.2**	**$1,588.5**	**$1,625.5**	**$1,714.4**
% Growth in Payments	-4.4%	1.2%	2.3%	5.5%
Receipts				
State Agencies**	$1,151.4	$1,147.5	$1,212.0	$1,270.0
Employee Contributions**	$188.1	$189.0	$191.0	$202.8
Retiree Contributions	$93.6	$94.5	$96.0	$101.5
EGWP Subsidies and Other Revenue*	68.5	84.3	90.2	98.4
Agency Reversions	51.9	50.7	0.0	0.0
Total Receipts	**$1,553.5**	**$1,566.0**	**$1,589.2**	**$1,672.7**
% Growth in Receipts	7.3%	0.8%	1.5%	5.3%
Ending Balance	**$172.0**	**$143.3**	**$97.7**	**$46.9**
Estimated Incurred but Not Received	**-$76.3**	**-$71.9**	**-$71.9**	**-$71.9**
Reserve for Future Provider Payments	**$95.7**	**$71.4**	**$25.8**	**-$25.0**

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

* Costs and revenue associated with Medicare-eligible retirees are assumed through December 31, 2022.
** State agency and employee contributions include contributions for eligible contractual full-time equivalents.

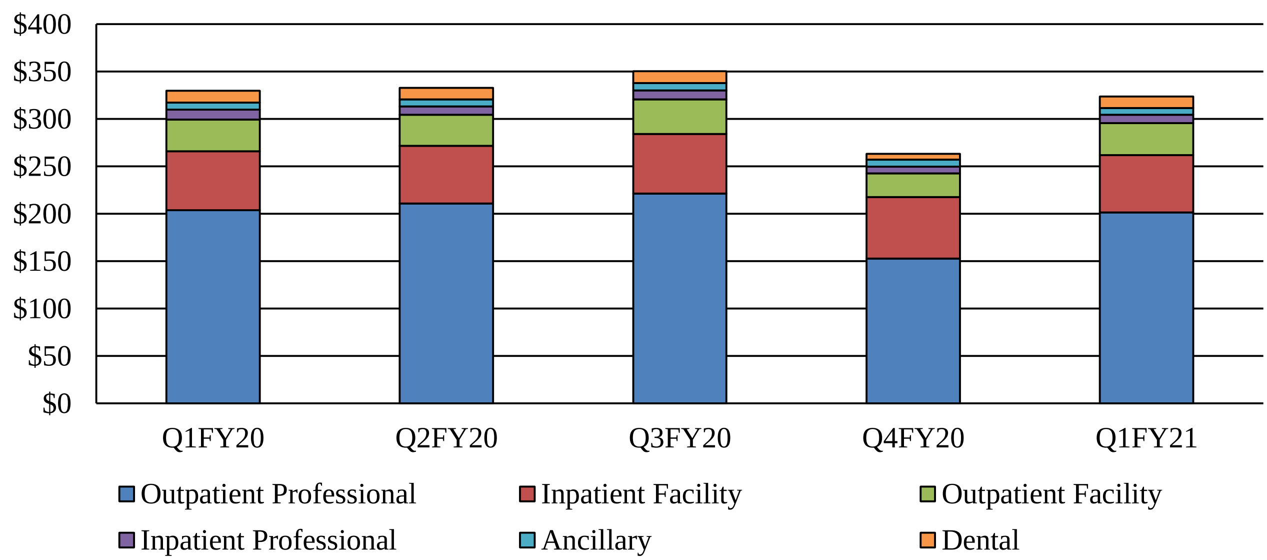
Source: Department of Budget and Management

Payments to providers grew by only 1.2% in fiscal 2020. Medical costs, which make up the largest amount of claims costs, were held down by a large decline in spending over the last quarter of the fiscal year due to the COVID-19 pandemic. Costs are projected to grow by 4.0% in fiscal 2021 and 2022. **DLS recommends annual committee narrative requesting DBM to submit data on medical costs and utilization.**

Dental costs, relatively flat in most years, declined by 8.2% to $49.5 million in fiscal 2020, as members avoided dental procedures during the pandemic. DBM projects increases of 8.7% in fiscal 2021 and 3.2% in fiscal 2022.

Exhibit 13 shows the large impact the pandemic had on invoices to State health and dental plans in the fourth quarter of fiscal 2020. Outpatient services declined by over 31% from the prior quarter, inpatient professional services declined by 23.8%, and dental declined by 54%. Only inpatient facility and ancillary services saw little change.

Exhibit 13
State Health and Dental Plan Invoices
Fiscal 2020-2021
($ in Millions)



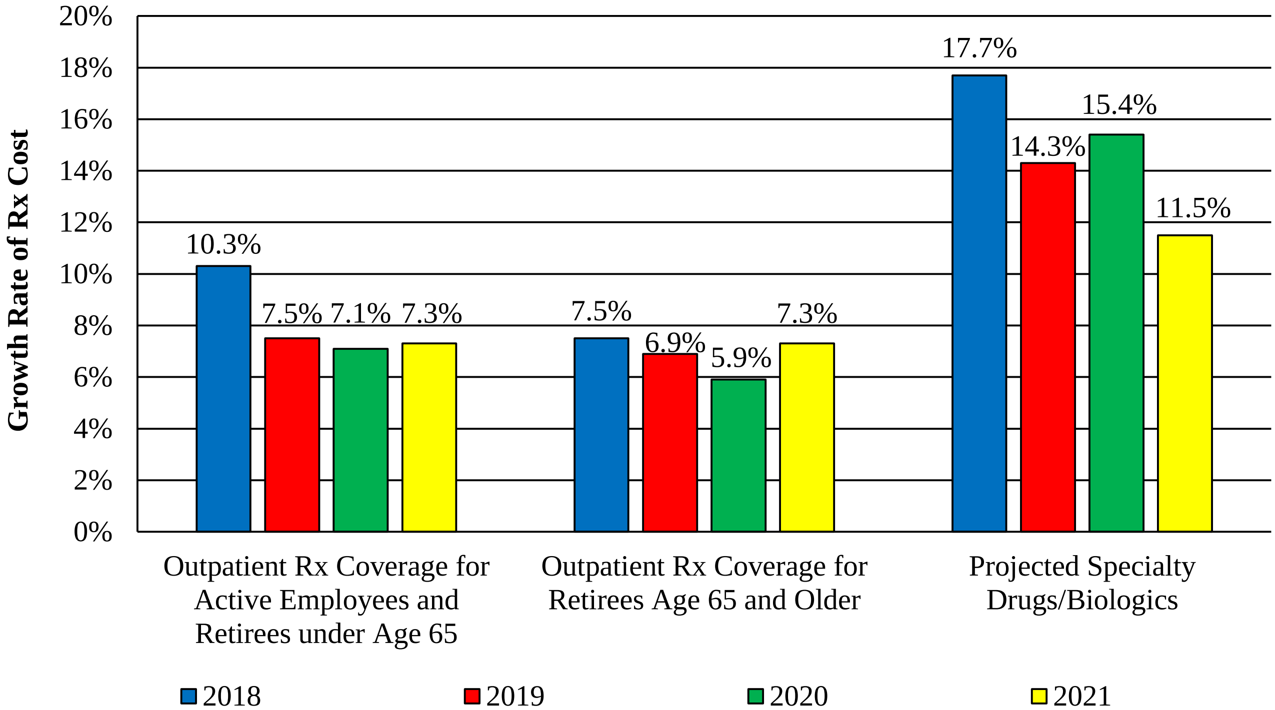
Source: Department of Budget and Management

The second largest health benefit cost is for prescription drug coverage, representing 30% of claims costs in fiscal 2020. Prescription drug claims net of pharmacy rebates are projected to decrease by 2% in fiscal 2021 and then increase by 9.3% in fiscal 2022 in the health insurance forecast. Actual expenses are increasing much slower than pharmacy rebates, which are negotiated by CVS Pharmacy, the State's pharmacy benefit manager. The State switched to CVS Pharmacy from Express Scripts in calendar 2018, and the State has realized favorable pricing and rebate results due to the transition. Legislation regarding this contract is discussed further in Issue 3. One reason for the disconnect between rebates and costs is that retiree prescription drug usage has increased by 10% in recent years and a large proportion of that increase is related to specialty drugs, which are eligible for rebates.

Also blunting prescription drug cost increases are Employer Group Waiver Plan (EGWP) revenues. The value of the Coverage Gap Discount, which provides a 50% discount on brand-name drugs for Part D coverage gap retiree members, and Catastrophic Reinsurance, which provides an 80% reinsurance payment for the plan's highest utilizers, are expected to increase by a combined 20% to $97.4 million in fiscal 2021 and another 8.4% to $105.6 million in fiscal 2022. EGWP revenue is based on drug usage and pricing; it is also impacted by the closure of the Medicare coverage gap, or donut hole in calendar 2019. The closure of the gap results in the increase in manufacturer discounts as well as increasing the catastrophic reinsurance payment as members reach the catastrophic expenditure threshold earlier.

The forecast's growth expectations for prescription drug cost growth inclusive of rebates are in line with national projections, which are shown in **Exhibit 14**. A national trend to monitor is the rapid increase in the cost of specialty drugs/biologics, although that growth is expected to slow slightly this year. While specialty drugs/biologics make up a small share of prescription drug claims, they make up approximately one-third of the State's prescription drug plan costs.

Exhibit 14
U.S. Projected Drug Trends
Calendar 2018-2021



Rx: prescription drug

Source: 2018-2021 Segal Health Plan Cost Trend Surveys

Antidiabetic drugs make up the largest single category of prescription drugs in the State plan, comprising 17% of prescription drug spending before rebates in fiscal 2020. In an effort to keep costs down, the State engages in multiple initiatives, including price and rebate negotiation, disease prevention education, and disease management. CVS Caremark, the State's pharmacy benefit manager, negotiates rebates for antidiabetics, which do not have generic versions in the United States. The State's wellness program offers programs including educational webinars, incentives for screening, and discounts for health classes. And CVS Caremark offers at no charge a program for members with diabetes, including an educational program, supplies, and access to certified diabetes educators. **DLS recommends annual committee narrative to request that DBM submit prescription drug utilization and cost data.**

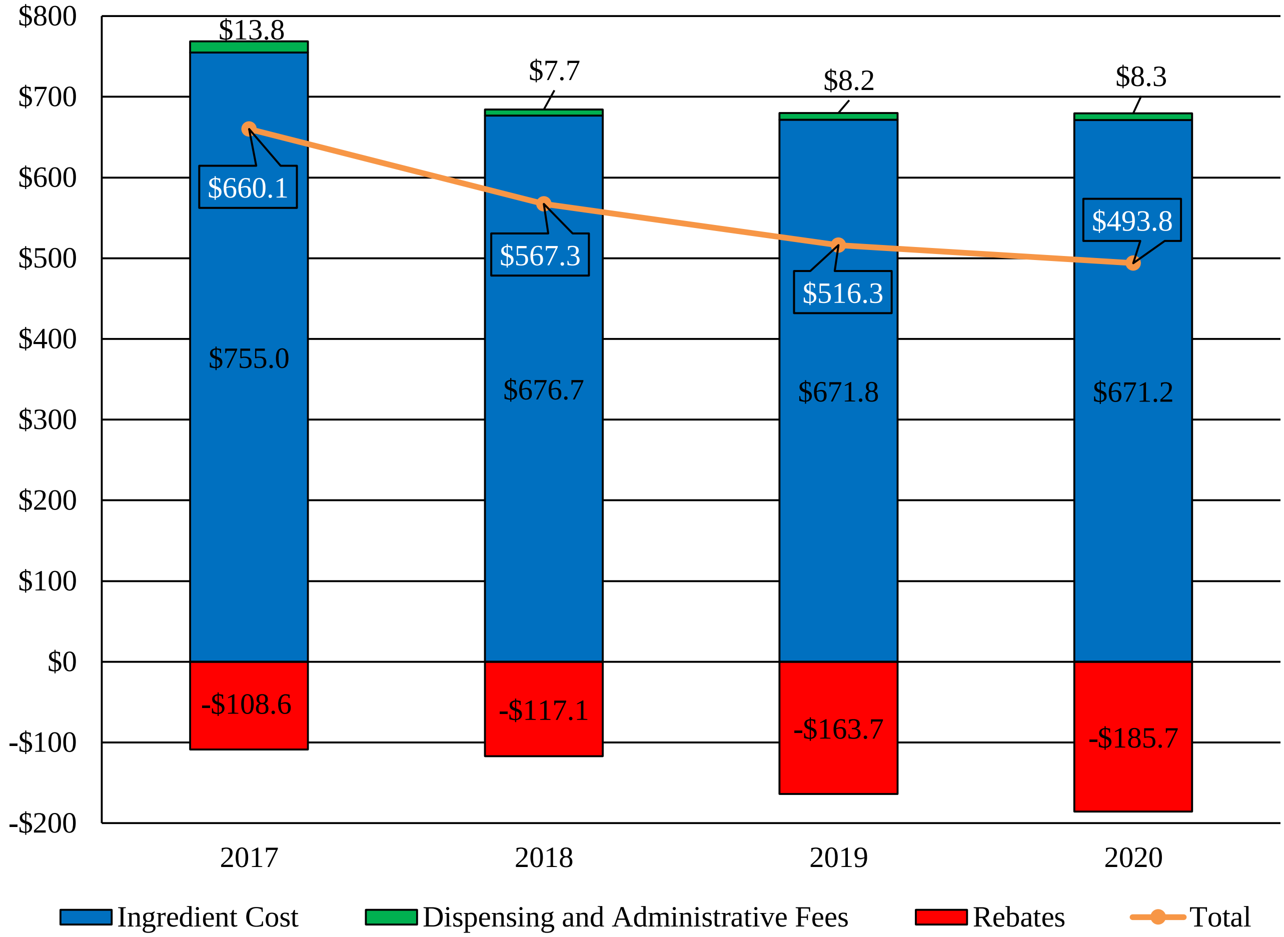
Overall contributions increase by 4.8% in fiscal 2021 in comparison to fiscal 2020. In fiscal 2022, contributions increase by 5.0%. Premium rates were frozen in calendar 2019 and 2020. DBM increased medical rates in calendar 2021 by 4.5% for all plans but Kaiser, which went up by

5.5%. Dental rates also increased (4.5% for health maintenance organization, 5.8% for Preferred Provider Organization (PPO)), but prescription plan premiums were frozen. DBM is assuming rate increases for calendar 2022 but has not finalized the size of the increase at this point. The split of employer to employee contributions to the plan agreed to by DBM and the various bargaining units is 85/15 for Exclusive Provider Organization plans and 80/20 for PPO plans. One reason that premiums remained flat for several years is that the State was contributing more than the agreed to ratios. Going forward, the State will fund the health plan at the negotiated rates.

3. Reverse Auction

Chapter 434 of 2020 requires DBM to use a reverse auction to select a pharmacy benefits manager (PBM) for the Maryland Rx Program under the State Employee and Retiree Health and Welfare Benefits Program. The legislation also requires DBM to procure a technology platform to evaluate the qualifications of prospective PBMs, automatically adjudicate prescription drug claims, and collect data on pharmacy reimbursement. The State's current PBM is CVS Caremark; the State and CVS agreed to a two-year extension to the existing contract that runs through December 31, 2022. **Exhibit 15** shows the net member and State costs for calendar 2017, when Express Scripts was the PBM, and calendar 2018 to 2020, when CVS was the PBM. Costs declined by 14% in calendar 2018, primarily due to savings in ingredient costs; costs further declined in calendar 2019 (9%) and 2020 (4.4%) driven by large increases in rebates, which are negotiated by CVS.

Exhibit 15
Pharmacy Costs and Rebates in State Health Plan
Calendar 2017-2020
($ in Millions)



Note: Data is annualized.

Source: Department of Budget and Management, Segal Advisors

As noted above, the current contract is in effect through calendar 2022. It doesn't appear that Chapter 434 would require the State to rebid the contract prior to its expiration, but DBM notes that a rebid would result in a significant loss of rebates to the State. And while DBM states it is moving forward on the implementation of the legislation, it is taking longer than expected. One issue is that the technology platform would be the first of its kind for State procurement, which is complicating the drafting of the request for proposals (RFP). DBM notes it is basing the specifications on a similar process used in New Jersey. (Connecticut uses a pseudo reverse auction process, and legislation in

New Hampshire to move to a similar process was put on hold in June 2020.) Another hurdle is the delays in the transfer of retirees from the State prescription plan to Medicare. The uncertainty is requiring the inclusion of two options in the RFP for the next PBM contract: one with retirees still on the State plan; and one without. **DLS recommends adopting committee narrative requiring DBM to provide a report to the committees on the progress toward procurement of the reverse auction technology platform and implementation of a reverse auction process.**

4. Conditional Raises for Most Employees in 2022

Two bargaining units – American Federation of Teachers (AFT) and Maryland Professional Employees Council (MPEC) – have come to agreements with the State for conditional salary increases in calendar 2022 that are not funded in the fiscal 2022 allowance. Employees of both units would get $500 bonuses on January 1, 2022, if fiscal 2021 revenues exceed the December 2020 Board of Revenues estimate by $75 million or more. The estimated cost of this is about $4.7 million. If revenues exceed the estimate by $200 million or more, the employees of the two unions would get a 1% COLA effective April 1, 2022, with an estimated cost of $7 million ($28 million on an annual basis). AFT has 1,839 members, and MPEC has 4,918 members. DBM indicates these salary actions would be applied to all units that have come to an agreement with the State as well as non-union and excluded employees. American Federation of State, County, and Municipal Employees is the only unit that has not come to an agreement with the State for 2022. The status of each bargaining unit's agreements can be found in **Appendix 3**.

5. SmartWork Participation Continues to be Low

The fiscal 2022 allowance includes $2 million in general funds – up from $900,000 in fiscal 2021 – for the SmartWork Program. The program was established in an attempt to improve recruitment and retention in high-vacancy jobs in State government. It offers State employees in certain targeted areas – such as public safety, nursing, and information technology – up to $20,000 in student loan repayment for the employee or their child. State employees must agree to work for the State for 10 years and will receive payouts after service years 1, 3, 5, 7, and 10. The benefit only applies to service after January 1, 2019, for new and existing employees. The payment intervals are determined by the time of DBM's receipt of the employee's application to the program, or January 1, 2019, for employees who were on the job at that time.

Despite significant potential benefits, program usage remains low. **Exhibit 16** shows the participation level in fiscal 2020 and 2021 to date, as well as the State cost in the two years. All funds for the program budgeted in DBM in fiscal 2020 were reverted; State agencies covered the costs in their respective budgets. To date, only $91,201 in payments have been made in fiscal 2021, although 220 payments are awaiting proof of loan payment. **DLS recommends deleting the fiscal 2022 allowance for this program of $2 million as the level of necessary funding is very low and can be absorbed in agency budgets.**

Exhibit 16
SmartWork Participation and Payments
Fiscal 2020-2021

	2020	2021
Awaiting Proof of Loan Payment	171	220
Accepted Payments Made	255	54
Applications Approved	**426**	**274**
Payments Issued	**$458,659**	**$91,201**

Source: Department of Budget and Management

Operating Budget Recommended Actions

1. Adopt the following narrative:

Health Insurance Account Closeout Report: The committees request a report on the fiscal 2021 closeout of the Employee and Retiree Health Insurance Account. This report shall include (1) closing fiscal 2021 fund balance; (2) actual provider payments due in the fiscal year broken out by medical payments for active employees, medical payments for non-Medicare-eligible retirees, medical payments for Medicare-eligible retirees, prescription drug payments for active employees, prescription drug payments for non-Medicare-eligible retirees, and prescription drug payments for Medicare-eligible retirees; (3) State employee and retiree contributions, broken out by active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees; (4) an accounting of rebates, recoveries, and other costs, broken out into rebates, recoveries, and other costs associated with active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees; (5) any closeout transactions processed after the fiscal year ended; and (6) actual incurred but not received costs.

Information Request	Author	Due Date
Report on fiscal 2021 closeout data for the Employee and Retiree Health Insurance Account	Department of Budget and Management	October 1, 2021

2. Adopt the following narrative:

Quarterly Prescription Drug Plan Performance: The State entered into a pharmacy benefit manager contract with CVS Caremark effective January 1, 2018. The budget committees request that the Department of Budget and Management (DBM) provide quarterly prescription drug plan performance data to the budget committees in order to monitor the trends of prescription drug utilization and costs. The report should provide information on the highest cost prescription drugs by category of treatment; the prescription drugs accounting for the largest increases in drug spending; the top 25 most costly individual prescription drugs in generic, brand, biologics, and specialty drug categories; recent drug patent expirations; and upcoming new drug patent approvals. Additionally, the reports should include data on the cost drivers and drug trends by actives, non-Medicare retirees, and Medicare retirees.

Information Request	Author	Due Date
Quarterly State prescription drug plan performance	DBM	September 15, 2021 December 15, 2021 March 15, 2022 June 15, 2022

3. Adopt the following narrative:

Quarterly Medical and Dental Plan Performance: In recent years, the State has implemented different strategies to contain medical costs. The budget committees request that the Department of Budget and Management (DBM) submit quarterly reports on plan performance of the State's medical and dental plans. Reports should provide utilization and cost data broken out by plans as well as actives, non-Medicare-eligible retirees, and Medicare-eligible retirees. The reports should include utilization per 1,000 plan participants; unit cost and per member costs for hospital inpatient services; hospital outpatient services; professional inpatient services; professional outpatient services; and ancillary services, provided by the State's health plans.

Information Request	Author	Due Date
Quarterly medical and dental plan performance reports	DBM	September 15, 2021 December 15, 2021 March 15, 2022 June 15, 2022

4. Adopt the following narrative:

Pharmacy Benefits Manager Reverse Auction Implementation: Chapter 434 of 2020 requires the Department of Budget and Management (DBM) to use a reverse auction to select a pharmacy benefits manager (PBM) for the Maryland Rx Program in the State Employee and Retiree Health and Welfare Benefits Program, and to procure a technology platform to evaluate PBMs. The budget committees request that DBM submit a report on the status of the procurement of the technology platform and its progress toward implementation of a reverse auction procedure.

Information Request	Author	Due Date
PBM reverse auction implementation	DBM	November 1, 2021

5. Adopt the following narrative:

Quarterly Disaster Relief Fund Reporting: The State is anticipating significant amounts of COVID-19 disaster relief funds provided by the Federal Emergency Management Agency (FEMA) that are not currently reflected in the budget. The availability of these funds frees up the use of general funds or other federal stimulus money for other purposes. Tracking of these funds is therefore imperative to understanding the actual fiscal environment of the State. The budget committees request that the Department of Budget and Management (DBM) provide quarterly reports on this funding. The reports should include, by fiscal year:

- the amount of FEMA disaster relief funds provided;
- the purpose of the funds;
- the program(s) to which the funds have been or will be allocated; and
- the amount of funds reflected in the budget.

Information Request	**Author**	**Due Dates**
Quarterly COVID-19 disaster relief fund reports	DBM	July 1, 2021 October 1, 2021 January 1, 2022 April 1, 2022

		Amount Reduction	
6.	Delete general funds in the statewide program that are double-budgeted for salary actions for St. Mary's College of Maryland.	$ 305,604	GF
7.	Delete funding for the SmartWork Program with the expectation that agencies can fund expenses in their budgets.	2,000,000	GF
8.	Delete funding for COVID-19 relief purposes. Significant amounts of federal funds are not yet reflected in the budget, and recent federal legislative efforts indicate substantial federal aid will be provided to state governments for COVID-19 relief.	200,000,000	GF

9. Add the following section:

Section XX Positions Abolished in the Budget

<u>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.</u>

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.

10. Add the following section:

Section XX Annual Report on Health Insurance Receipts and Spending

SECTION XX. AND BE IT FURTHER ENACTED, That the Secretary of Budget and Management shall include as an appendix in the fiscal 2023 Governor's budget books an accounting of the fiscal 2021 actual, fiscal 2022 working appropriation, and fiscal 2023 estimated revenues and expenditures associated with the employees' and retirees' health plan. The data in this report should be consistent with the budget data submitted to the Department of Legislative Services. This accounting shall include:

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

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

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

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

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

11. Add the following section:

Section XX Workers' Compensation Settlements

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall provide authorization to the Injured Workers' Insurance Fund (IWIF) to use up to $15,000,000 in fiscal 2022 to make settlements on employee workers' compensation claims. DBM shall also instruct IWIF to transfer any surplus balance in the account provided for the payment of State employee workers' compensation costs at the close of fiscal 2022 to the account provided for unfunded workers' compensation liabilities.

Explanation: Significant reductions in State employee workers' compensation claims have led to significant savings to the State. This language directs DBM to use the savings to make settlements on workers' compensation claims, which reduces future costs and liabilities

12. 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 2021, the Secretary of Budget and Management shall determine the total number of full-time equivalent (FTE) positions that are authorized as of the last day of fiscal 2021 and on the first day of fiscal 2022. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2021 and 2022, including nonbudgetary programs, the Maryland Transportation Authority, the University System of Maryland self-supported activities, and the Maryland Correctional Enterprises.

The Department of Budget and Management shall also prepare a report during fiscal 2022 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 2023 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 information in the same fashion as reported in the appendices of the fiscal 2022 Governor's budget books shall also be provided.

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

Information Request	**Author**	**Due Date**
Total number of FTEs on June 30 and July 1, 2021	Department of Budget and Management (DBM)	July 14, 2021
Report on the creation, transfer, or abolition of regular positions.	DBM	As needed

13. Add the following section:

Section XX Injured Workers' Insurance Fund Accounts

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

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

Information Request	Author	Due Date
Report on the status of ledger control account	IWIF	Monthly beginning on July 1, 2021

14. 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, 2021, as determined by the Secretary of Budget and Management. Provided, however, that if the imposition of this ceiling causes undue hardship in any department, agency, board, or commission, additional positions may be created for that affected unit to the extent that an equal number of positions authorized by the General Assembly for the fiscal year are abolished in that unit or in other units of State government. It is further provided that the limit of 100 does not apply to any position that may be created in conformance with specific manpower statutes that may be enacted by the State or federal government nor to any positions created to implement block grant actions or to implement a program reflecting fundamental changes in federal/State relationships. Notwithstanding anything contained in this section, BPW may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of man that are necessary to protect the health and safety of the people of Maryland.

BPW may authorize the creation of additional positions within the Executive Branch provided that 1.25 contractual full-time equivalents (FTE) are abolished for each regular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in contractual FTEs for at least two years. Any position created by this method may not be counted within the limitation of 100 under this section.

The numerical limitation on the creation of positions by BPW established in this section may not apply to positions entirely supported by funds from federal or other non-State sources so long as both the appointing authority for the position and the Secretary of Budget and Management certify for each position created under this exception that:

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

(2) any positions created will be abolished in the event that non-State funds are no longer available.

The Secretary of Budget and Management shall certify and report to the General Assembly by June 30, 2022, the status of positions created with non-State funding sources during fiscal 2019 through 2022 under this provision as remaining, authorized, or abolished due to the discontinuation of funds.

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

Information Request	**Author**	**Due Date**
Certification of the status of positions created with non-State funding sources during fiscal 2019 through 2022	Department of Budget and Management	June 30, 2022

Total Reductions to Fiscal 2021 Deficiency	**$ 200,000,000**
Total General Fund Reductions to Allowance	**$ 2,305,604**

Budget Reconciliation and Financing Act Recommended Actions

1. Add a provision to revert an excess of $1,784,036 in fiscal 2021 general funds in the statewide program.

Updates

1. Vacancy Rates Remain High Across Executive Branch Agencies

Overall vacancy rates for the executive branch remain high as of January 2021, as shown in **Exhibit 16**. While the vacancy rate in DPSCS, which has the highest rate among agencies, has declined two years in a row, this is primarily due to the elimination of hundreds of vacant positions.

Exhibit 16
Executive Branch Vacancy Rates
Calendar 2015-2021

Department/Service Area	2015	2016	2017	2018	2019	2020	2021
Largest Six State Agencies							
DPSCS	6.6%	9.9%	12.1%	18.2%	19.3%	18.2%	16.5%
Human Services	6.8%	7.5%	8.3%	7.8%	11.9%	9.9%	10.5%
Health	8.0%	6.9%	10.1%	9.5%	8.3%	11.9%	12.0%
Police and Fire Marshal	9.4%	11.5%	9.5%	12.7%	11.7%	8.5%	10.4%
Juvenile Services	7.9%	11.7%	10.6%	10.2%	10.5%	9.0%	6.9%
Transportation	6.8%	5.8%	7.5%	7.0%	6.6%	6.2%	7.9%
Average	**7.6%**	**8.9%**	**9.7%**	**10.9%**	**11.4%**	**10.6%**	**10.7%**
Other Executive Agencies							
Legal (Excluding Judiciary)	8.5%	7.5%	8.1%	9.1%	9.3%	8.0%	9.8%
Executive and Administrative Control	10.3%	7.9%	10.5%	10.2%	10.5%	11.4%	12.9%
Financial and Revenue Administration	7.6%	10.6%	8.6%	8.0%	10.6%	10.1%	11.5%
DBM and DoIT	10.5%	9.8%	8.7%	11.1%	14.9%	15.7%	11.0%
Retirement	4.9%	12.6%	8.6%	5.7%	9.5%	14.8%	14.4%
General Services	6.8%	8.8%	9.5%	12.9%	11.1%	10.8%	8.3%
Natural Resources	7.5%	5.1%	7.4%	9.7%	8.7%	10.4%	8.6%
Agriculture	7.3%	11.7%	8.5%	8.8%	12.8%	10.2%	12.0%
Labor	11.6%	3.8%	13.3%	15.4%	15.5%	13.5%	14.2%
MSDE and Other Education	8.3%	3.5%	8.7%	9.0%	8.3%	11.2%	11.1%
DHCD	9.1%	6.2%	7.4%	8.1%	4.5%	7.6%	8.8%
Commerce	8.1%	10.2%	6.2%	5.2%	8.5%	13.8%	8.0%

Department/Service Area	2015	2016	2017	2018	2019	2020	2021
Environment	9.8%	7.7%	9.3%	7.5%	10.8%	13.4%	13.5%
Average	**8.5%**	**8.1%**	**8.8%**	**9.3%**	**10.4%**	**11.6%**	**11.1%**

DBM: Department of Budget and Management
DHCD: Department of Housing and Community Development
DoIT: Department of Information Technology
DPSCS: Department of Public Safety and Correctional Services
MSDE: Maryland State Department of Education

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

Appendix 1
2020 *Joint Chairmen's Report* Responses from Agency

The 2020 *Joint Chairmen's Report* (JCR) requested that the Department of Budget and Management prepare three reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Fiscal 2019 Closeout Data for the Employee and Retiree Health Insurance Account:*** The Employee and Retiree Health Insurance Account closed with a year-end fund balance of $143.3 million in fiscal 2020, a decrease of $18.7 million. Further discussion of this data can be found in Issue 2 of this analysis.

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

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

Appendix 2
Permanent Employee Statewide Salary Actions
Fiscal 2003-2021

Fiscal Year	Date of General Salary Increase	General Salary Increase	Increments
2003	July 1, 2002	None	None
2004	July 1, 2003	None	None
2005	July 1, 2004	$752	On time
2006	July 1, 2005	1.5%	On time
2007	July 1, 2006	2% with $900 floor and $1,400 ceiling	On time
2008	July 1, 2007	2%	On time
2009 [1]	July 1, 2008	2%	On time
2010 [2]	July 1, 2009	None	None
2011 [2]	July 1, 2010	None	None
2012	July 1, 2011	$750 one-time bonus	None
2013	January 1, 2013	2%	None
2014	January 1, 2014	3%	April 1, 2014
2015	January 1, 2015	2%	On time
2016	July 1, 2015	None	None
2017	July 1, 2016	None	On time
2018	July 1, 2017	None	None
2019	January 1, 2019	2%	None
2019	April 1, 2019	0.5%, $500 one-time bonus	None
2020	July 1, 2019	3%	None
2020 [3]	January 1, 2020	1%	None
2021	January 1, 2021	2%	None

[1] 2- to 5-day furlough.
[2] 3- to 10-day furlough.
[3] Not applied to American Federation of State, County, and Municipal Employees represented employees.

Source: Department of Budget and Management

Appendix 3
Bargaining Units and Representatives
As of January 2021

Unit	Title	Exclusive Representative	Employees	Expiration Dates
A	Labor and Trades	AFSCME	1,665	December 31, 2020
B	Administrative, Technical, and Clerical	AFSCME	4,524	December 31, 2020
C	Regulatory, Inspection, and Licensure	AFSCME	723	December 31, 2020
D	Health and Human Service Nonprofessionals	AFSCME	1,571	December 31, 2020
E	Health Care Professionals	AFT-Healthcare Maryland	1,839	December 31, 2023
F	Social and Human Service Professional	AFSCME	3,386	December 31, 2020
G	Engineering, Scientific, and Administrative Professionals	MPEC	4,918	December 31, 2023
H	Public Safety and Security	AFSCME/Teamsters	7,528	December 31, 2020
H	BWI Airport Fire Fighters	International Airport Professional Firefighters Local 1742 I.A.F.F., AFL-CIO, CLC	69	December 31, 2021
I	Sworn Police Officers	SLEOLA	1,756	June 30, 2022
J	MDTA Sworn Officers	MDTA Police Lodge #34	418	June 30, 2022
		Total	**28,397**	

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

Note: Prior agreement remains in place for expired agreements

Source: Department of Budget and Management; Maryland Department of Transportation

Appendix 4
Object/Fund Difference Report
Department of Budget and Management – Personnel

Object/Fund	FY 20 Actual	FY 21 Working Appropriation	FY 22 Allowance	FY 21 - FY 22 Amount Change	Percent Change
Positions					
01 Regular	135.40	133.60	133.60	0.00	0%
02 Contractual	8.00	2.00	4.00	2.00	100.0%
Total Positions	**143.40**	**135.60**	**137.60**	**2.00**	**1.5%**
Objects					
01 Salaries and Wages	$ 13,411,812	$ 92,908,759	$ 184,800,064	$ 91,891,305	98.9%
02 Technical and Spec. Fees	505,687	101,591	241,900	140,309	138.1%
03 Communication	647,883	784,000	724,000	-60,000	-7.7%
04 Travel	3,593	18,412	17,300	-1,112	-6.0%
07 Motor Vehicles	2,549,524	0	2,250,000	2,250,000	N/A
08 Contractual Services	8,248,741	12,793,131	9,832,634	-2,960,497	-23.1%
09 Supplies and Materials	15,052	65,000	65,000	0	0%
10 Equipment – Replacement	25,421	39,500	67,400	27,900	70.6%
12 Grants, Subsidies, and Contributions	0	100,900,000	2,000,000	-98,900,000	-98.0%
13 Fixed Charges	202,076	213,948	213,948	0	0%
Total Objects	**$ 25,609,789**	**$ 207,824,341**	**$ 200,212,246**	**-$ 7,612,095**	**-3.7%**
Funds					
01 General Fund	$ 9,432,430	$ 71,248,669	$ 148,902,557	$ 77,653,888	109.0%
03 Special Fund	2,549,524	110,641,005	23,387,320	-87,253,685	-78.9%
05 Federal Fund	0	6,545,647	10,945,543	4,399,896	67.2%
09 Reimbursable Fund	13,627,835	19,389,020	16,976,826	-2,412,194	-12.4%
Total Funds	**$ 25,609,789**	**$ 207,824,341**	**$ 200,212,246**	**-$ 7,612,095**	**-3.7%**

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 5
Fiscal Summary
Department of Budget and Management – Personnel

Program/Unit	FY 20 Actual	FY 21 Wrk Approp	FY 22 Allowance	Change	FY 21 - FY 22 % Change
01 Executive Direction	$ 8,939,683	$ 11,538,909	$ 9,404,800	-$ 2,134,109	-18.5%
02 Division of Employee Benefits	5,697,721	8,483,205	8,170,084	-313,121	-3.7%
04 Division of Employee Relations	4,982,941	4,371,293	4,370,162	-1,131	0%
06 Division of Classification and Salary	2,041,338	2,066,803	1,975,571	-91,232	-4.4%
07 Division of Recruitment and Examination	1,398,582	1,236,402	1,132,608	-103,794	-8.4%
08 Statewide Expenses	2,549,524	179,227,729	173,159,021	-6,068,708	-3.4%
09 SmartWork	0	900,000	2,000,000	1,100,000	122.2%
Total Expenditures	**$ 25,609,789**	**$ 207,824,341**	**$ 200,212,246**	**-$ 7,612,095**	**-3.7%**
General Fund	$ 9,432,430	$ 71,248,669	$ 148,902,557	$ 77,653,888	109.0%
Special Fund	2,549,524	110,641,005	23,387,320	-87,253,685	-78.9%
Federal Fund	0	6,545,647	10,945,543	4,399,896	67.2%
Total Appropriations	**$ 11,981,954**	**$ 188,435,321**	**$ 183,235,420**	**-$ 5,199,901**	**-2.8%**
Reimbursable Fund	$ 13,627,835	$ 19,389,020	$ 16,976,826	-$ 2,412,194	-12.4%
Total Funds	**$ 25,609,789**	**$ 207,824,341**	**$ 200,212,246**	**-$ 7,612,095**	**-3.7%**

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.