

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 614
Appropriations

(Delegate Hettleman, *et al.*)

State Personnel - Employees in the Same Classification - Pay Rates

This bill requires the Secretary of Budget and Management and the Secretary of Transportation, when an appointing authority within the State Personnel Management System (SPMS) or the Department of Transportation’s personnel system appoints an employee to a position in the skilled service or professional services, to adjust the pay rate of each incumbent employee in the unit who is in the same classification as, and has a pay rate lower than, the newly appointed employee to be equal to the pay rate of the newly appointed employee.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Expenditures increase (all funds) significantly, potentially by more than \$75 million beginning in FY 2018, to adjust the pay rates of each incumbent employee in a unit according to the bill’s requirements. State revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Within SPMS, there are two pay plans: the Standard Pay Plan and the Executive Pay Plan. The purpose of the pay plans is to provide employees in positions that involve comparable effort, knowledge, responsibilities, skills, and working conditions with comparable pay according to the relative value of services performed. The Standard Pay

Plan include all positions in SPMS and all other positions for which the Secretary of Budget and Management has authority to administer pay.

Pay rates in the Standard Pay Plan may be set by a series of pay grades and steps within each grade, fixed rates, or minimum and maximum amounts. When setting or amending a pay rate, the Secretary of Budget and Management must consider the prevailing pay rates for comparable services in private and public employment, experience, living costs, benefits, and the financial condition and policies of the State. A pay rate is subject to any limitations included in the State budget.

The Secretary of Budget and Management may increase pay rates for a specific class under the Standard Pay Plan with the approval of the Governor in order to recruit or retain competent personnel or to ensure that pay rates adequately compensate for the effort, knowledge, responsibility, skills, and working conditions of employees in that class. If an amendment to the pay plan affects a position in the Executive Branch that is listed in the budget bill, the amendment is contingent on the approval of the Board of Public Works. An amendment to the Standard Pay Plan may not take effect unless sufficient money is available in the budget to cover the resulting pay rates.

The Maryland Department of Transportation (MDOT) must use the standard salary schedule adopted by the Secretary of Budget and Management in establishing a pay plan. The Secretary of Transportation must prepare and recommend a standard pay plan for all classes of positions in the human resources management system that conforms to most provisions that govern the Standard Pay Plan of the State.

Background: The Department of Budget and Management (DBM) advises that the step of a newly hired employee is based on several factors such as:

- the candidate's years of experience and/or exceptional qualifications;
- current labor market conditions; and
- documented recruitment difficulties at lower steps.

State Expenditures: Advancing employee steps to the level of the most recently hired employee in the same classification was considered during negotiations with the State's largest union in December 2016. At that time, DBM calculated the cost of advancing employees represented by that single union. DBM considered three levels of advanced steps – step 12, step 15, and step 17 – and calculated the associated costs of advancing all lower stepped employees up to the advanced step. Those costs and the number of affected employees were estimated to be:

- Step 12 and lower: 13,875 employees = \$76.6 million
- Step 15 and lower: 15,356 employees = \$117.2 million
- Step 17 and lower: 16,191 employees = \$147.6 million

Those costs reflect only 62% of SPMS employees affected by the bill and do not reflect any costs for MDOT employees. MDOT estimates 6,487 employees could be eligible for salary adjustments under the bill, increasing expenditures by \$55.8 million if salaries are adjusted to the highest pay rate in each classification, although this scenario is not likely. Thus, State expenditures could increase by well over \$75 million. However, the cost increase may be significantly lower based on the classifications and units of new employees and their pay rates.

Under the bill, when an appointing authority of SMPS or MDOT appoints an employee to a position in the skilled or professional service, the pay rate of employees in that unit with the same classification but lower pay rates as the newly appointed employee must be adjusted to equal the pay rate of the newly appointed employee. The actual cost of the bill depends on what units hire employees and the pay rate of the newly appointed employee. There were 2,313 appointments within SPMS and 417 appointments within MDOT in fiscal 2016. Thus, the Department of Legislative Services estimates a significant number of adjustments will need to be made. Appointing authorities could appoint new employees to the lowest pay rate, in which case there will be no associated costs, but filling those positions may be difficult. There were 4,817 vacant positions within SPMS and 584 vacant positions within MDOT at the conclusion of fiscal 2016.

Additional Information

Prior Introductions: None.

Cross File: SB 483 (Senator Klausmeier, *et al.*) - Finance.

Information Source(s): Department of Budget and Management; Maryland Department of Transportation; Department of Legislative Services

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