F10A02

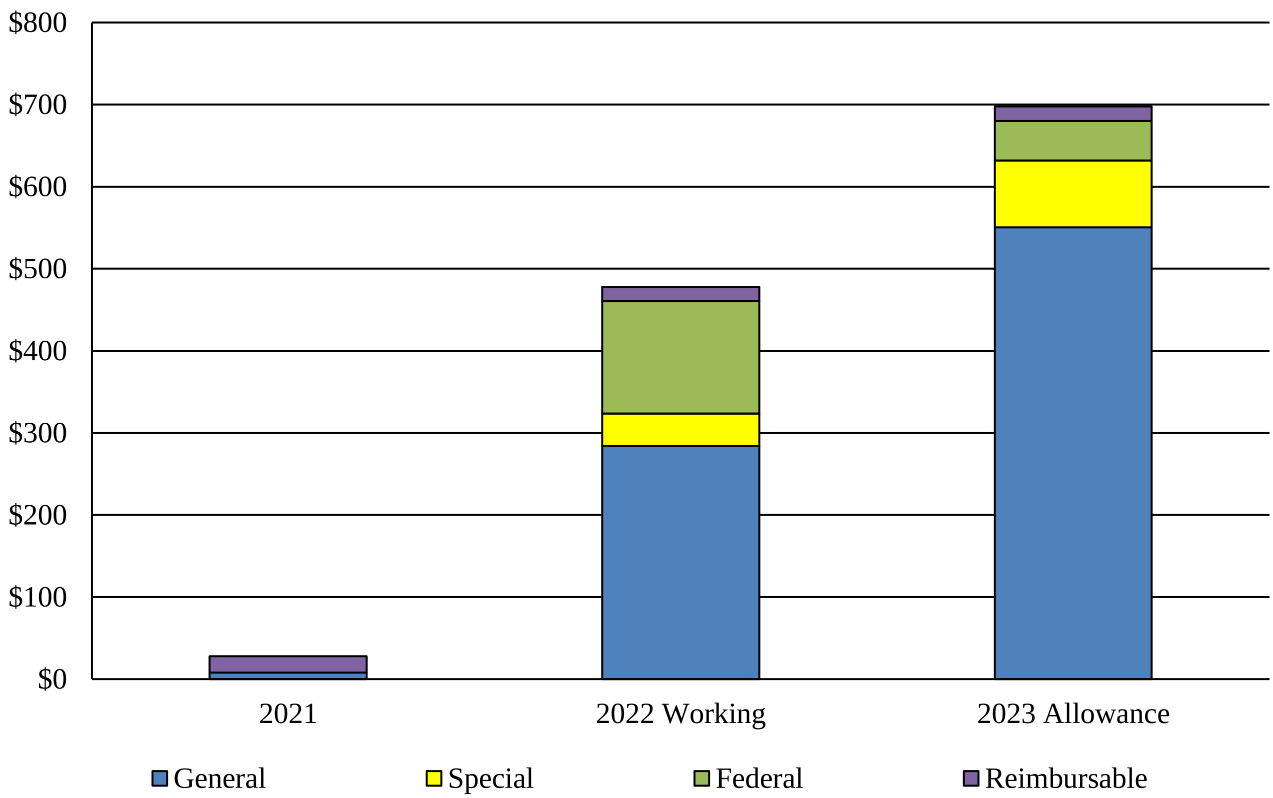
Department of Budget and Management – Personnel

Executive Summary

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

Operating Budget Summary

Fiscal 2023 Budget Increases $219.9 Million, or 46%, to $697.8 Million
($ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2022 working appropriation includes deficiencies.

- The fiscal 2022 working appropriation and fiscal 2023 allowance include a combined $832.5 million dedicated to State employee salary increases and bonuses.

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Key Observations

- ***Vacancy Crisis Impacts State Government Operations:*** A historically high level of vacancies in the Executive Branch is creating issues across State agencies. The budget includes hundreds of millions of dollars in salary increases in an effort to recruit and retain employees.

- ***Health Insurance Fund Requires Supplemental Payment:*** The budget includes $235 million total in fiscal 2022 and 2023 as additional payments to the Employee and Retiree Health Insurance Account to assist with higher than anticipated medical spending and limit employee premium growth.

- ***Reverse Auction for Pharmacy Benefits Manager (PBM) Progress Slow:*** DBM is behind schedule in its implementation of a reverse auction platform (RAP) to procure a PBM for the calendar 2023 plan year.

Operating Budget Recommended Actions

1. Add language restricting funds pending the completion of a salary scale rebasing and the submission of a report.
2. Add language restricting funds pending a report on the establishment of a formal procedure for Annual Salary Reviews.
3. Adopt committee narrative requesting the department to submit closeout information on the Employee and Retiree Health Insurance Account.
4. Adopt committee narrative requesting the department to submit quarterly reports on prescription drug plan performance.
5. Adopt committee narrative requesting the department to submit quarterly medical and dental plan performance reports.
6. Add a section for annual language restricting the movement of employees into abolished positions.
7. Add a section requiring monthly reporting on the State’s workers’ compensation account held by the Injured Workers’ Insurance Fund.
8. Add a section for the annual “Rule of 100” limit on position creation.
9. Add a section for annual language requiring a report on State positions.
10. Add a section for annual language requiring reporting of employee and retiree health insurance receipts and spending.

F10A02

Department of Budget and Management – Personnel

Operating Budget Analysis

Program Description

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

- ***Executive Direction:*** The executive director acts as the State's chief negotiator in collective bargaining with State employee labor unions. The program includes the Employee and Labor Relations Division 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 23 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.

- ***Division of Shared Services:*** This division provides all maintenance, updates, and integrations for the Workday System.

- ***Division of Contract Administration:*** This division provides contract oversight for the various medical, drug testing, recruitment, and human resources information systems contracts.

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 was launched in fiscal 2020 and provided funding to offer State employees who work in specified shortage areas the opportunity to receive repayment of student loans for themselves or a child. The program stopped accepting new participants in June 2021 and no longer has dedicated funding in the DBM allowance.

Performance Analysis: Managing for Results

1. Wellness Program Improves Screening for Chronic Conditions

In an effort to address escalating medical and prescription drug costs, the State implemented a wellness program in calendar 2015. In calendar 2022, 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. 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 2020, 23,380 members, or about 20% of the eligible population, met the PCP copay waiver requirements. The program cost the State $2 million in calendar 2020. **Exhibit 1** shows wellness measures provided with the fiscal 2023 budget.

Exhibit 1
Wellness Program Measures
Fiscal 2016-2021

Screening	2016	2017	2018	2019	2020	2021	Change 2016-2021
Mammogram	50.5%	51.8%	51.3%	51.1%	53.1%	59.3%	8.9%
Colonoscopy	35.8%	40.4%	40.8%	41.0%	38.8%	43.2%	7.3%
Physical Exam	39.5%	42.0%	42.9%	43.4%	44.0%	39.8%	0.3%
Nephropathy	68.9%	68.2%	67.0%	68.3%	66.7%	58.5%	-10.4%
2+A1C Tests*	61.1%	60.8%	59.4%	60.8%	59.8%	59.0%	-2.1%
Blood Glucose	65.0%	81.6%	81.2%	82.4%	85.7%	75.5%	10.5%

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

Source: Governor's Fiscal 2023 Budget Books

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 were added in calendar 2020, including a healthy lifestyle course and an initiative on musculoskeletal health.

Screenings for mammograms and colonoscopies have consistently increased since calendar 2016, and blood glucose screenings are up over the same time period despite a decrease in calendar 2021.

The goal of increasing screenings is to reduce State employee health care costs. **Exhibit 2** shows that chronic conditions of diabetes, hypertension, hyperlipidemia, heart disease, and asthma/chronic obstructive pulmonary disease make up nearly half of total plan costs. The cost of chronic conditions declined at a faster rate in calendar 2020 than total plan costs. It is unclear if this decline is a favorable development as it may reflect individuals with chronic conditions not seeking needed care during the first year of the pandemic, which could increase costs over the long-term.

Exhibit 2
State Cost of Chronic Conditions
Calendar 2015-2020
($ in Millions)

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

COPD: chronic obstructive pulmonary disease

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

Source: Segal Advisors

Fiscal 2022

Proposed Deficiency

The proposed budget includes deficiency appropriations for statewide salary actions, including correctional officer (CO) bonuses ($1.9 million); a $500 bonus for employees except those represented by State Law Enforcement Officers Labor Alliance (SLEOLA), Baltimore-Washington International (BWI) Marshall Airport Fire Fighters, or American Federation of State, County and Municipal Employees (AFSCME) ($31.1 million); a 1% cost-of-living adjustment (COLA) effective January 2022 for most employees ($25.4 million); a $1,000 bonus for employees except those represented by SLEOLA and BWI Firefighters ($80.8 million); salary increments ($81 million); a 2% COLA for AFSCME employees ($11.2 million); and a $2,500 bonus for certain AFSCME employees ($11 million). These appropriations are discussed further in the Issues section of this analysis.

The proposed budget also includes an $80 million general fund deficiency to fund shortfall in the health insurance account. This appropriation is discussed further in the Issues section of this analysis.

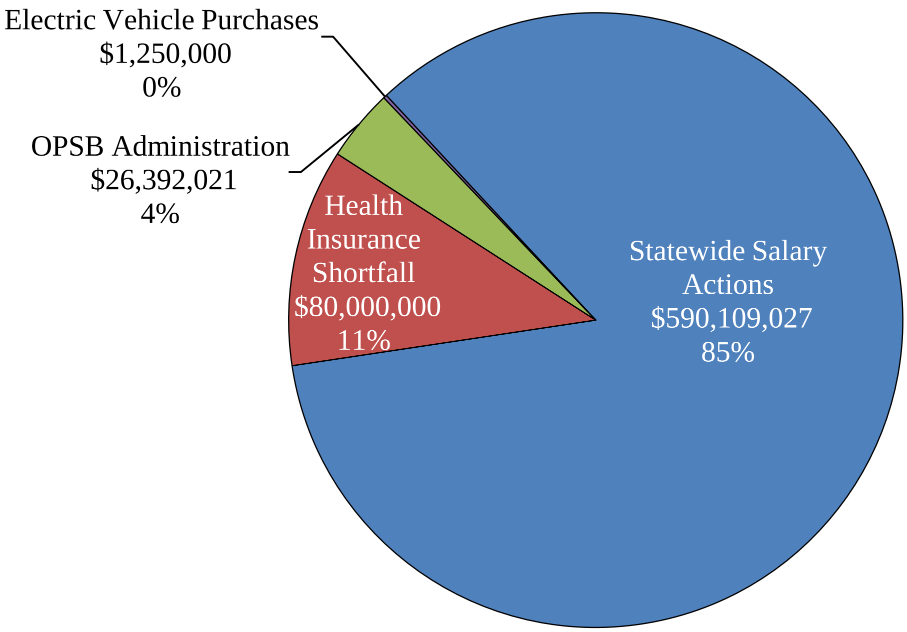
Federal Stimulus Funds

The proposed budget includes a $75 million deficiency appropriation in American Rescue Plan Act funds for the health insurance account due to increased COVID-19-related claims. This appropriation is discussed further in the Issues section of this analysis.

Fiscal 2023 Overview of Agency Spending

Exhibit 3 provides an overview of the fiscal 2023 allowance for OPSB. Statewide salary actions make up 85% of the budget, and a supplemental payment to the health insurance account makes up 11% of the allowance. Funding for the administration of OPSB makes up most of the remaining 4% of the allowance. The salary actions and health insurance allocation are discussed in the Issues section of this analysis.

Exhibit 3
Overview of Agency Spending
Fiscal 2023 Allowance

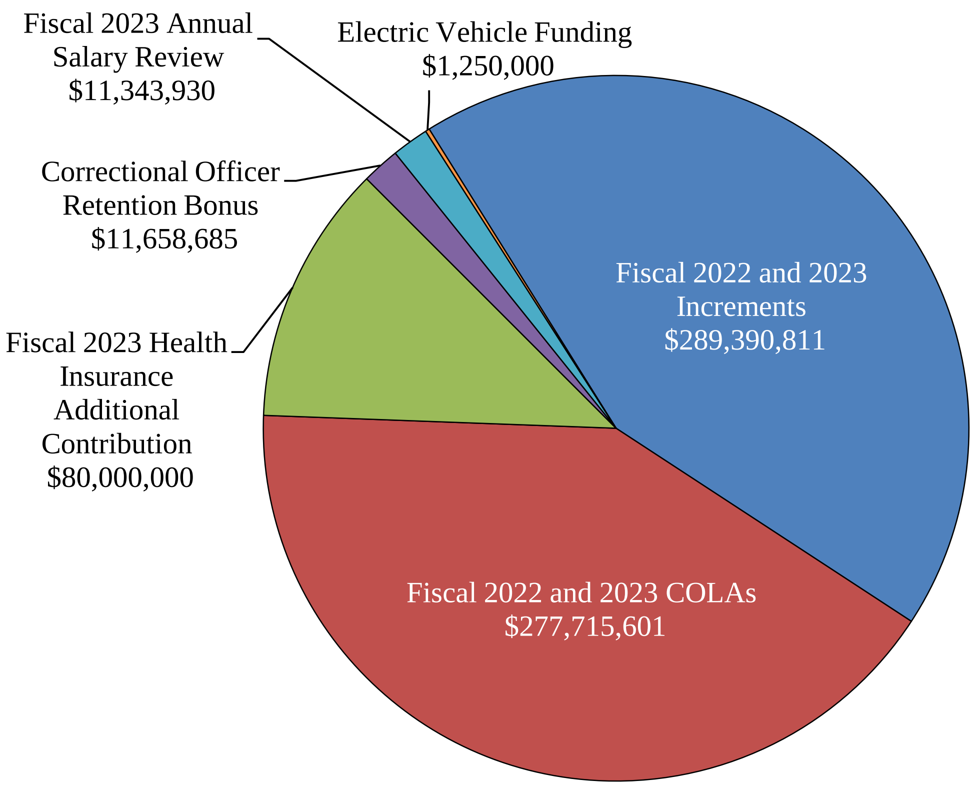


OPSB: Office of Personnel Services and Benefits

Source: Governor's Fiscal 2023 Budget Books

Exhibit 4 shows the breakdown of fiscal 2023 spending in the statewide program. With the exception of an $80 million contribution to the State Employee and Retiree Health Insurance Account and $1.25 million for electric vehicle purchases, the remainder is for salary actions for State employees. Approximately 81% of the statewide program funding is general funds.

Exhibit 4
Statewide Program Allowance
Fiscal 2023

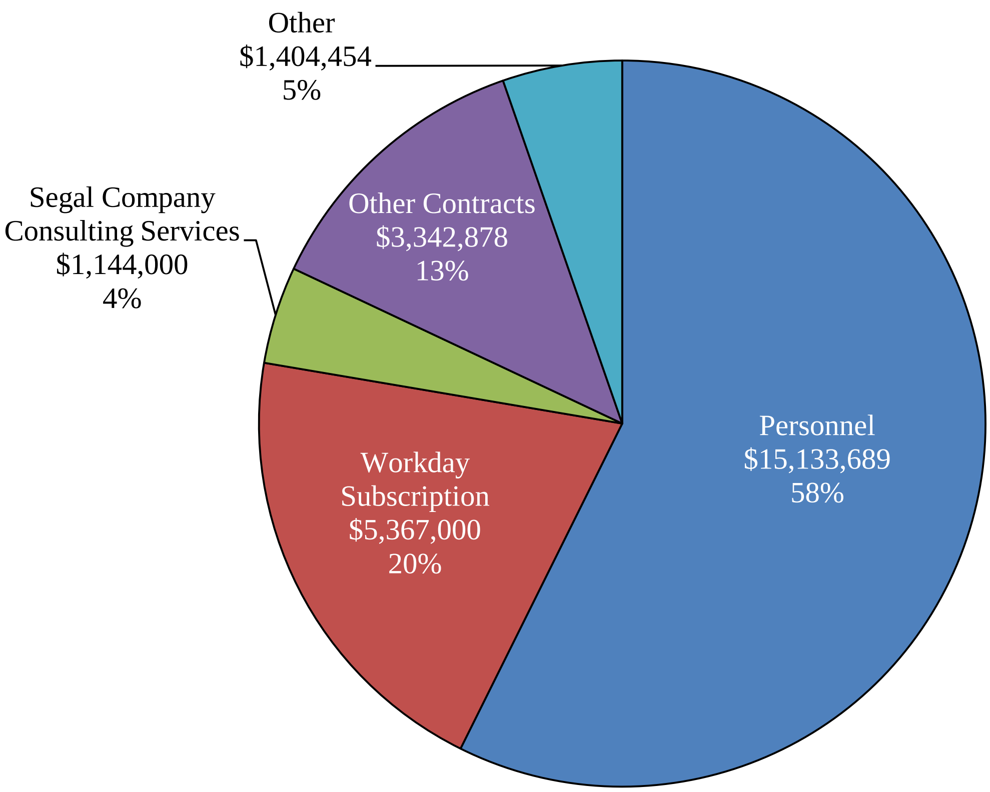


COLA: cost-of-living adjustment

Source: Department of Budget and Management

Exhibit 5 shows OPSB spending in fiscal 2023 with the statewide program excluded. Personnel accounts for 58% of the allowance, while the Workday subscription accounts for 20% of the fiscal 2023 planned spending. The subscription is for the information technology (IT) platform on which State employee personnel human resources functions are handled.

Exhibit 5
Overview of OPSB Administrative Spending
Fiscal 2023 Allowance



OPSB: Office of Personnel Services and Benefits

Source: Governor's Fiscal 2023 Budget Books

Proposed Budget Change

As shown in **Exhibit 6**, the fiscal 2023 allowance grows by $219.8 million, an increase of 46%. Nearly all the change is due to statewide salary actions, which are discussed elsewhere in this analysis.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2021 Actual	$8,210	$0	$0	$19,736	$27,946
Fiscal 2022 Working Appropriation	284,088	39,655	137,065	17,098	477,906
Fiscal 2023 Allowance	550,320	81,463	48,566	17,403	697,751
Fiscal 2022-2023 Amount Change	$266,231	$41,808	-$88,499	$304	$219,845
Fiscal 2022-2023 Percent Change	93.7%	105.4%	-64.6%	1.8%	46.0%

Where It Goes:	Change
Personnel Expenses (Excluding Statewide Expenses)	
Turnover adjustments	$294
Regular earnings	240
Accrued leave payout	151
Reclassification	127
Health insurance contributions	75
Retirement contributions	72
Other fringe benefit adjustments	24
Statewide Program	
July 2022 general COLA	181,963
July 2022 general increments	119,986
Annualization of January 2022 general increments	80,584
Annualization of January 2022 COLA	25,177
July 2022 SLEOLA increments	22,745
Annual Salary Review	11,344
Annualization of January 2022 AFSCME COLA	11,216
Correctional officer bonuses	9,798
July 2022 SLEOLA COLA	7,827
Electric vehicle purchases	-1,000
Overestimate of salary costs in fiscal 2022 budget	-10,930
January 2022 AFSCME $2,500 bonus	-11,000
January 2022 $500 bonus	-31,131
Fiscal 2022 federal salary assistance yet to be allocated	-40,000
Supplemental health insurance payment related to COVID-19 costs	-75,000
January 2022 $1,000 bonus	-80,813

Where It Goes:	**Change**
Other Changes	
Other changes	96
SmartWork	-2,000
Total	**$219,845**

AFSCME: American Federation of State, County and Municipal Employees
COLA: cost-of-living adjustment
SLEOLA: State Law Enforcement Officers Labor Alliance

Note: Numbers may not sum to total due to rounding. The changes reflected in the "Personnel Expenses (Excluding Statewide Expenses)" section do not include funding in the statewide program for the Office of Personnel Services and Benefits personnel, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

SmartWork Program Shuttered Due to Low Participation

DBM closed the SmartWork Program to new participants in June 2021 due to low activity. Most of the fiscal 2022 working appropriation ($2 million in general funds) is restricted to be used for other purposes, and the fiscal 2023 allowance does not have any dedicated funding for the program. The program was established in an attempt to improve recruitment and retention in high-vacancy jobs in State government. It offered State employees in certain targeted areas – such as public safety, nursing, and IT – up to $20,000 in student loan repayment for the employee or their child. State employees had to agree to work for the State for 10 years in return for payouts after service years 1, 3, 5, 7, and 10.

Despite significant potential benefits, program usage was low. A potential issue with the program is the many administrative hurdles participants must clear before receiving any benefits. The employee must be aware of SmartWork, be a member of an eligible employee class, fill out an application, and obtain approval from DBM. To date, 12.7% of applications have been rejected. Next, the employee must provide proof of their student loan payments. **Exhibit 7** shows that less than $1 million in payments have been made over the three calendar years that the program has been active. The administration had a much higher impact in mind when the program launched with $8 million budgeted in its first year alone. **DBM should comment on why it abandoned the program rather than making efforts to improve participation by expanding employee class eligibility, increasing promotion, or easing other participation restrictions.**

Exhibit 7
SmartWork Applications and Payments
Calendar 2019-2022

	2019	2020	2021	2022	Total
Approved	370	316	42		728
Pending			35		35
Denied	45	42	24		111
Total Applications	**415**	**358**	**101**		**874**
Denial %	*10.8%*	*11.7%*	*23.8%*		*12.7%*
Participants Paid		300	196	51	**547**
Amount Paid		$530,463	$320,148	$97,296	**$947,906**

Source: Department of Budget and Management

Electric Vehicle Purchases

Chapter 565 of 2019 requires the use of funds from the Strategic Energy Investment Fund to purchase plug-in hybrid and fully electric vehicles for State agencies. The fiscal 2023 statewide program allowance includes $1.25 million in special funds for the purchase of electric vehicles, down from $2.25 million the prior year; an additional $1 million in funding is provided in the Department of General Services (DGS) allowance. In fiscal 2020, the funding was used for 5 full electric and 68 plug-in hybrid vehicles. In fiscal 2021, the funds purchased 40 electric and 9 plug-in hybrid vehicles.

Federal Funds Unallocated

The fiscal 2022 working appropriation includes $40 million in federal funds that was provided in a fiscal 2022 Supplemental Budget for COVID-19 response pay. The funds will be allocated to State agencies by budget amendment by the end of the fiscal year.

Personnel Data

	FY 21 Actual	FY 22 Working	FY 23 Allowance	FY 22-23 Change
Regular Positions	133.60	133.60	133.60	0.00
Contractual FTEs	7.18	4.00	4.00	0.00
Total Personnel	**140.78**	**137.60**	**137.60**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.46	3.34%
Positions and Percentage Vacant as of 12/31/21	18.60	13.92%
Vacancies Above Turnover	14.14	

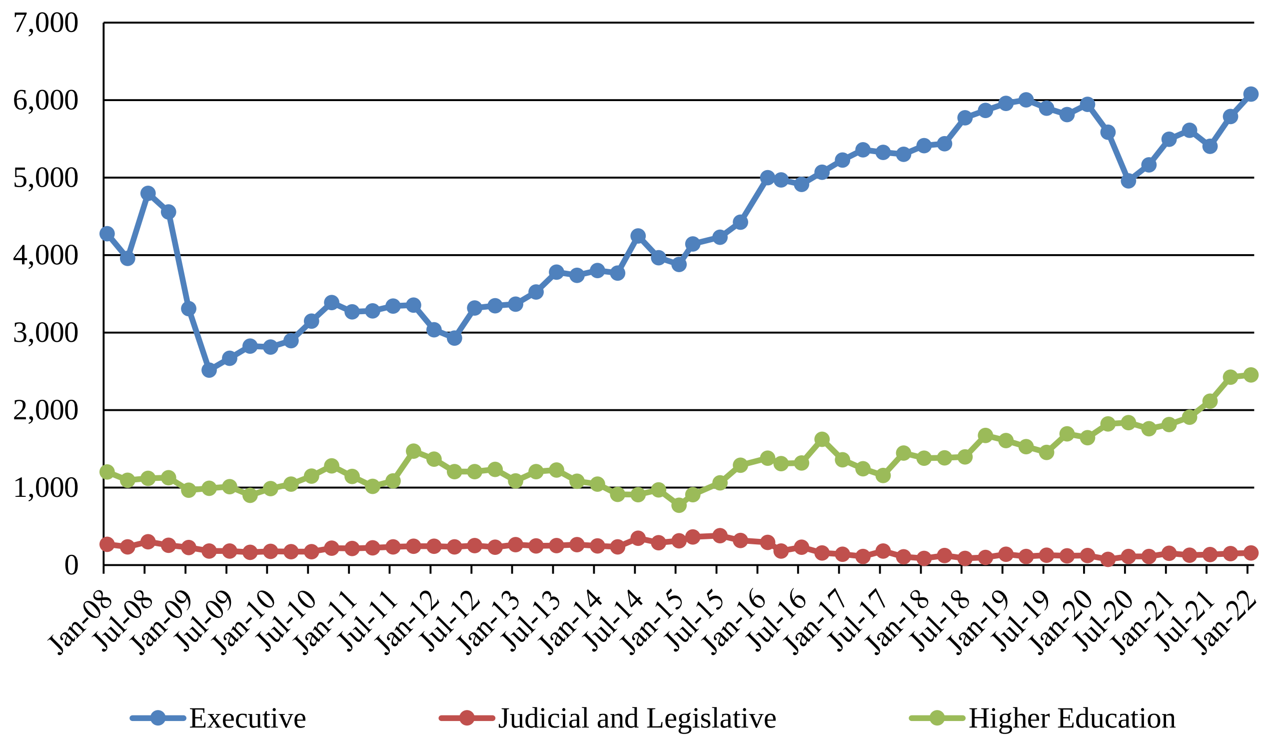
- OPSB has 18.6 vacancies and a nearly 14% vacancy rate, more than four times its budgeted turnover rate.

Issues

1. Vacancies and Salary Actions

In January 2022, there were more vacant positions in the Executive Branch of State government than there have been since at least 2008, and likely ever. As shown in **Exhibit 8**, including higher education, there were 8,689 vacant positions in the Executive Branch. The brief break in the trend of rising vacancies in 2020 is not due to filling positions but due to abolishing several hundred unfilled positions in the Department of Public Safety and Correctional Services (DPSCS).

Exhibit 8
Executive Branch Vacancies
Calendar 2008-2022



Source: Department of Legislative Services

Vacant positions have emerged as an issue across all of State government, with all six of the State's major departments at 10% vacancy rates or higher. As shown in **Exhibit 9**, there is an average 11.6% vacancy rate across all other departments in the Executive Branch, excluding Judiciary and higher education.

Exhibit 9
Executive Branch Vacancy Rates
January 1 of Calendar 2015-2022

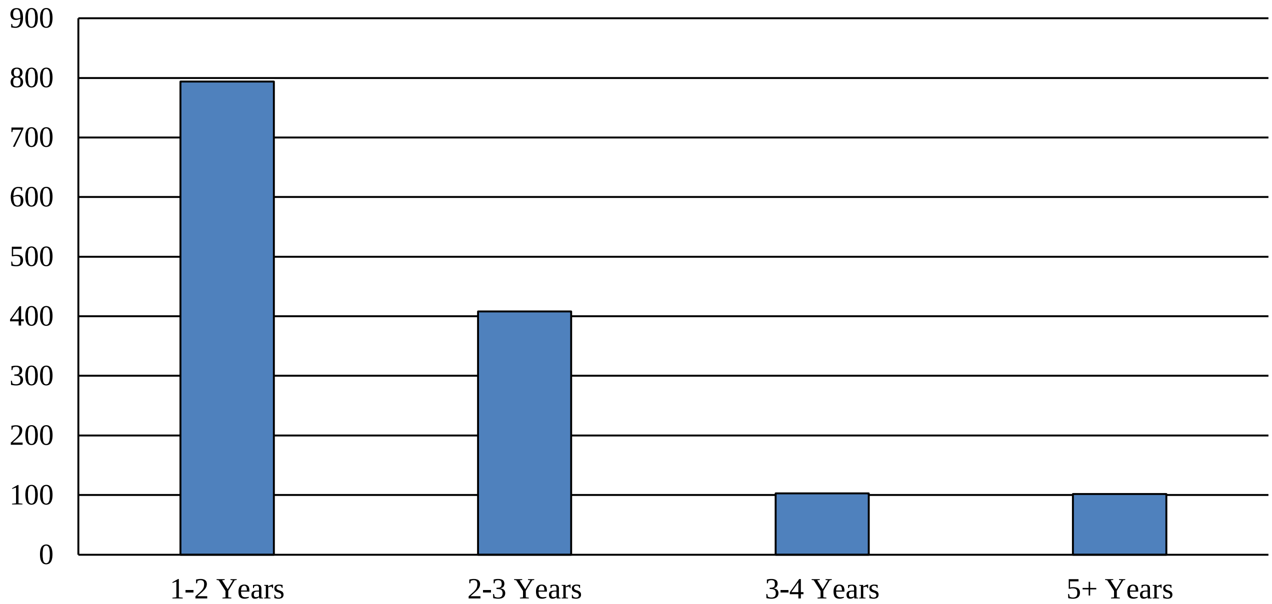
Department/Service Area	2015	2016	2017	2018	2019	2020	2021	2022
Largest Six State Agencies								
Public Safety and Correctional Services	6.6%	9.9%	12.1%	18.2%	19.3%	18.2%	16.5%	14.1%
Human Services	6.8%	7.5%	8.3%	7.8%	11.9%	9.9%	10.5%	12.9%
Health	8.0%	6.9%	10.1%	9.5%	8.3%	11.9%	12.0%	14.7%
Police and Fire Marshal	9.4%	11.5%	9.5%	12.7%	11.7%	8.5%	10.4%	13.1%
Juvenile Services	7.9%	11.7%	10.6%	10.2%	10.5%	9.0%	6.9%	12.7%
Transportation	6.8%	5.8%	7.5%	7.0%	6.6%	6.2%	7.9%	10.0%
Average	***7.6%***	***8.9%***	***9.7%***	***10.9%***	***11.4%***	***10.6%***	***10.7%***	***12.9%***
Other Executive Agencies								
Legal (Excluding Judiciary)	8.5%	7.5%	8.1%	9.1%	9.3%	8.0%	9.8%	12.2%
Executive and Administrative Control	10.3%	7.9%	10.5%	10.2%	10.5%	11.4%	12.9%	11.4%
Financial and Revenue Administration	7.6%	10.6%	8.6%	8.0%	10.6%	10.1%	11.5%	12.4%
Budget and Management and DoIT	10.5%	9.8%	8.7%	11.1%	14.9%	15.7%	11.0%	12.4%
Retirement	4.9%	12.6%	8.6%	5.7%	9.5%	14.8%	14.4%	12.2%
General Services	6.8%	8.8%	9.5%	12.9%	11.1%	10.8%	8.3%	10.4%
Natural Resources	7.5%	5.1%	7.4%	9.7%	8.7%	10.4%	8.6%	12.9%
Agriculture	7.3%	11.7%	8.5%	8.8%	12.8%	10.2%	12.0%	15.4%
Labor	11.6%	3.8%	13.3%	15.4%	15.5%	13.5%	14.2%	9.5%
MSDE and Other Education	8.3%	3.5%	8.7%	9.0%	8.3%	11.2%	11.1%	15.4%
Housing and Community Development	9.1%	6.2%	7.4%	8.1%	4.5%	7.6%	8.8%	6.0%
Commerce	8.1%	10.2%	6.2%	5.2%	8.5%	13.8%	8.0%	11.2%
Environment	9.8%	7.7%	9.3%	7.5%	10.8%	13.4%	13.5%	9.6%
Average	***8.5%***	***8.1%***	***8.8%***	***9.3%***	***10.4%***	***11.6%***	***11.1%***	***11.6%***

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

Source: Department of Legislative Services

In addition to being a widespread issue, vacancies are also a persistent issue. Of the 5,245 vacancies in the SPMS[1] for which data is available in February 2022, there were 1,367 positions, or 26%, that have been vacant for more than 12 months. There are more than 200 positions that have been vacant for three years or more, as shown in **Exhibit 10**.

Exhibit 10
Long-term Vacancies
February 2022



Source: Department of Legislative Services

While the vacancy crisis is widespread across much of the Executive Branch, there are many employee classifications in which there are extremely high vacancy rates. **Exhibit 11** shows the classifications in SPMS that have at least 25 authorized positions in the fiscal 2023 allowance and at least a 20% vacancy rate in February 2022. Many of the classifications with extremely high vacancy rates are public safety related, such as police communications officers, Department of Juvenile Services case management specialists, and COs. Many other classifications have direct contact with the public, such as registered nurses, vocational rehabilitation specialists, social workers, and nursing assistants. IT, procurement, and fiscal services classes also have high vacancy levels.

[1] SPMS includes employees in the Executive Branch with the exception of higher education, MDOT, and nonbudgeted agencies.

Exhibit 11
Vacancy Rates by Class
February 2022 Vacancies Compared to Fiscal 2023 Allowance

Job Classification	February 2022 Vacancies	2023 Authorized Positions	Vacancy Rate	Department
Parole and Probation Agent I	98.0	102.0	96.1%	Public Safety
DJS Case Management Specialist I Community	24.5	30.5	80.3%	Juvenile Services
Corrections Supply Officer I	17.0	25.0	68.0%	Public Safety
Police Communications Operator I	28.0	46.0	60.9%	Natural Resources, Public Safety, State Police
Fiscal Accounts Technician I	19.0	32.0	59.4%	Multiple
Commitment Records Specialist I	15.0	26.0	57.7%	Public Safety
Direct Care Assistant I, CI	14.0	27.5	50.9%	Health
Revenue Examiner I	16.0	33.0	48.5%	Financial and Revenue Administration
Vocational Rehabilitation Specialist II	46.0	110.0	41.8%	Education
Procurement Officer III	17.0	41.0	41.5%	Multiple
Assessor I Real Property	14.0	35.0	40.0%	Financial and Revenue Administration
Health Facility Surveyor Nurse I	22.0	55.0	40.0%	Health
Administrative Specialist I	16.0	42.5	37.6%	Multiple
Agency Project Engineer – Architecture III	10.0	27.0	37.0%	Multiple
Correctional Officer Lieutenant	125.0	380.0	32.9%	Public Safety
Child Support Specialist I	15.0	47.0	31.9%	Human Services
Registered Nurse, CI	30.6	98.6	31.0%	Health
Soil Conservation Associate III	8.0	26.0	30.8%	Agriculture
IT Assistant Director II	12.0	42.0	28.6%	Multiple
Coordinator Special Programs Health Services III Developmental Disabilities	10.0	37.0	27.0%	Health
Correctional Officer I	147.0	550.0	26.7%	Public Safety
Natural Resources Biologist IV	8.0	30.0	26.7%	Agriculture
Social Worker I Family Services	12.5	47.0	26.6%	Human Services
Administrative Program Manager II	11.0	43.0	25.6%	Multiple
Human Resources Specialist	10.0	41.0	24.4%	Multiple
Social Worker I, Health Services, CI	7.5	31.0	24.2%	Health
Chaplain	6.0	25.0	24.0%	Health, Public Safety
Office Secretary I	12.0	50.5	23.8%	Multiple
Human Service Program Plan Administrator	9.0	38.0	23.7%	Human Services

Job Classification	February 2022 Vacancies	2023 Authorized Positions	Vacancy Rate	Department
IT Programmer Analyst Supervisor	7.0	30.0	23.3%	Multiple
DJS Residential Group Life Manager I	10.0	43.0	23.3%	Juvenile Services
Services Specialist	9.0	39.0	23.1%	Multiple
Registered Nurse Charge Med	11.0	49.5	22.2%	Health, Juvenile Services
IT Programmer Analyst II	13.0	61.0	21.3%	Multiple
Procurement Officer II	8.0	38.0	21.1%	Multiple
Geriatric Nursing Assistant II	6.5	31.0	21.0%	Health
Casework Specialist Family Services	57.23	273.23	20.9%	Human Services
Personnel Associate II	9.0	43.0	20.9%	Multiple
IT Programmer Analyst Lead/Advanced	14.0	67.0	20.9%	Multiple
IT Systems Technical Specialist	15.0	72.0	20.8%	Multiple
Accountant Advanced	11.0	53.0	20.8%	Multiple
Social Service Administrator IV	11.0	53.0	20.8%	Human Services
Registered Nurse	6.0	29.0	20.7%	Health, Public Safety
Medical Care Program Associate II	24.0	117.0	20.5%	Health
Direct Care Assistant II	16.5	80.5	20.5%	Health
Revenue Specialist II	10.0	50.0	20.0%	Financial and Revenue Administration
PH Laboratory Science Supervisor	5.0	25.0	20.0%	Health
Maintenance Chief I Non-Licensed	5.0	25.0	20.0%	Multiple
Maintenance Mechanic Senior	15.0	75.0	20.0%	Multiple

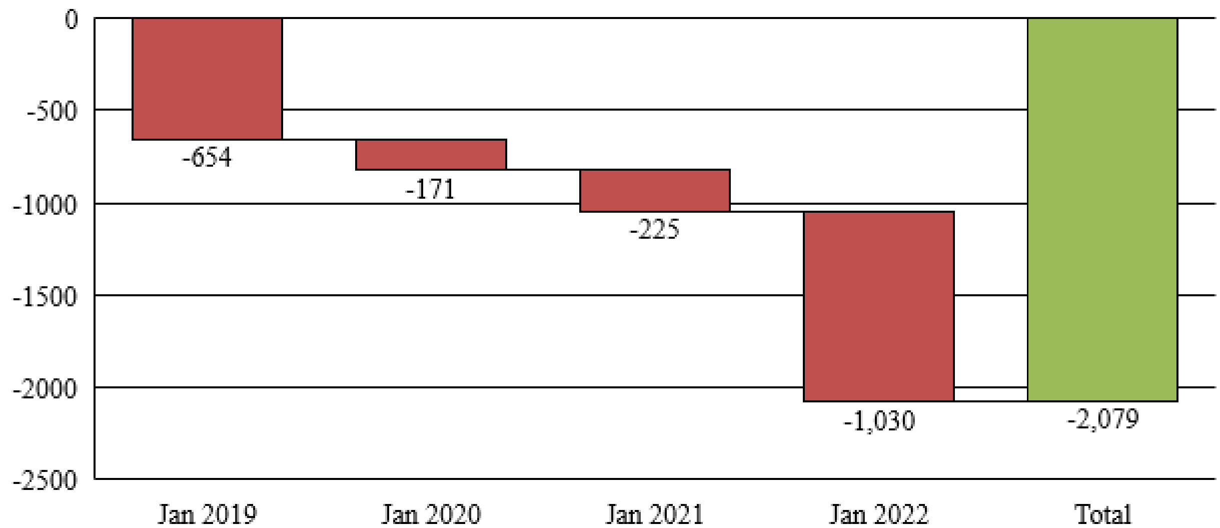
CI: court-involved
DJS: Department of Juvenile Services
IT: information technology
PH: public health

Note: Includes only classes with 25 or more authorized positions in the fiscal 2023 allowance. Excludes trainee classes.

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

Since fiscal 2014, the number of authorized positions in the State has been very stable, ranging between a low of 80,033 in the fiscal 2022 allowance to a high of 81,422 in the fiscal 2016 allowance. However, this masks a decline of 2,329 authorized positions in the Executive Branch, excluding higher education and the Judicial and Legislative branches, all of which have added positions as they have independent authority to do so. Compounding the reduction in positions is the increase in vacancies; when authorized positions remain level and vacancies increase, it results in a reduction in the number of State employees performing the duties of the government. As shown in **Exhibit 12**, the number of employed people working in an agency in SPMS or MDOT has dropped from 44,481 in January 2019 to 42,402 in January 2022. The trend accelerated in the last year; there are currently 1,030 fewer SPMS and MDOT employees than there were one year ago.

Exhibit 12
Decrease in Filled SPMS and MDOT Positions
Calendar 2018-2022

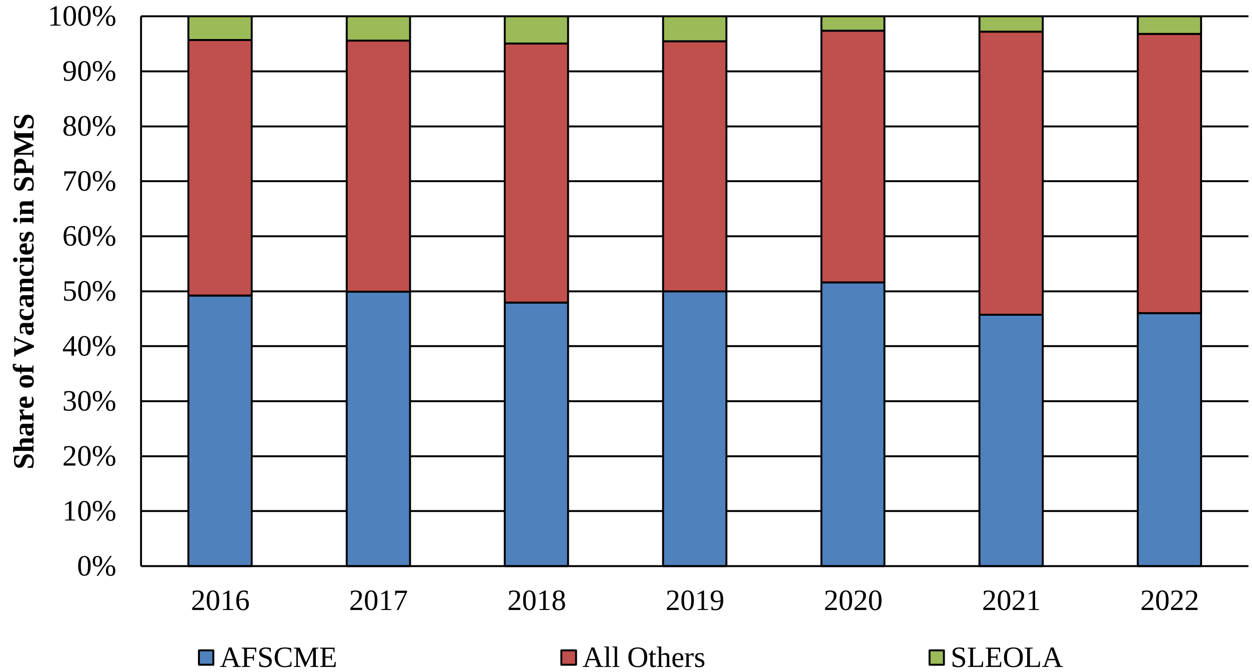


MDOT: Maryland Department of Transportation
SPMS: State Personnel Management System

Source: Department of Legislative Services

Exhibit 13 shows the share of vacancies in January of each year from 2016 to 2022 by bargaining unit. Over fiscal 2019 to 2022, members of SLEOLA have had salary increases totaling 16% and increments in three of the four years. That far exceeds the 9.5% in increases and one year with an increment for other unions and nonrepresented employees in the same time period. Since 2016, vacancies in AFSCME-represented positions have grown by 33%, and vacancies among American Federation of Teachers (AFT)-Healthcare, Maryland Professional Employees Council (MPEC), and nonrepresented positions have grown by 55%. SLEOLA vacancies grew by only 5% in that time period but have declined by 32% since their peak in 2019. While the increased compensation for SLEOLA members may have held down or reduced the number of unfilled positions, SLEOLA positions represent only a tiny share of the State workforce. The lower level of salary efforts directed at the bargaining units that represent much larger portions of State employees is not in line with the goal of improving overall recruitment and retention efforts.

Exhibit 13
Share of Vacancies by Bargaining Unit
Calendar 2016-2022



AFSCME: American Federation of State, County and Municipal Employees
SLEOLA: State Law Enforcement Officers Labor Alliance
SMPS: State Personnel Management System
Source: Department of Legislative Services

Reduced Workforce Adversely Affects State Agency Performance

The vacancies have unique impacts on agencies. Below is a brief summation of how the vacancy crisis has affected selected State agency operations.

- ***Maryland Department of Health (MDH) – Administration:*** High vacancy levels at State hospitals have been exacerbated by employees leaving State service during the COVID-19 pandemic. This has led to significant overtime cost increases as well as safety concerns for staff and residents of State facilities.

- ***DPSCS:*** CO vacancies have led to high caseloads and continually high levels of overtime spending, while 30% of administrative positions are vacant, hindering criminal justice reform implementation.

- ***MDH – Office of Health Care Quality:*** The agency has an 18% vacancy rate, which has led to difficulties in meeting mandates for surveys and inspections of developmental disability units and assisted living units.

- ***DGS:*** Consistently high numbers of vacancies could hinder the implementation of a major IT project and make it difficult to address a backlog of critical maintenance despite increased funding.

- ***Office of the Attorney General:*** The office has had trouble attracting qualified job candidates and has a 15% vacancy rate. The vacancies drive up caseloads, making the job less desirable for current employees, harming retention.

- ***State Department of Assessments and Taxation:*** High vacancy levels have harmed the agency's ability to conduct assessments, leading to a backlog of cases that also impacts the Property Tax Assessment Appeals Board, which must delay hearings due to a lack of available assessors to attend hearings.

- ***Maryland State Department of Education – Headquarters:*** Significant vacancy levels could hinder the implementation of the Blueprint for Maryland's Future educational reforms.

- ***MDH – Public Health Administration:*** A lack of medical examiners has resulted in caseloads far above national standards, which in turn harms recruitment and retention efforts.

- ***Department of Information Technology:*** Staffing shortages hamper the State's ability to effectively respond to and prevent cyberattacks and limit the ability to effectively manage the large volume of contracts in the department. The inability to hire IT staff in other State agencies also harms the State's management of IT operations and projects.

Further details about these issues, as well as other vacancy-related impacts on State agency performance, can be found in each agency's individual analyses.

Issue Extends Beyond Maryland

The problem with finding employees to fill positions is a nationwide concern, in both the public and private sectors. **Exhibit 14** shows a selection of vacancy rates for several states for which data could be found. While it is not clear how similar other states are in terms of their levels of position control, it is clear that Maryland is not unique in its struggles to fill positions. According to Pew Research, states across the country are offering raises and bonuses to attract and retain workers and note that they are in competition with other city and private sector job offers. Rising wages will continue to make it "incredibly difficult" for State government to attract and retain talent, according to a Moody's analyst presentation in the Senate Budget and Taxation Committee; the analyst also noted that the State and local job quit rate is as high as it has ever been.

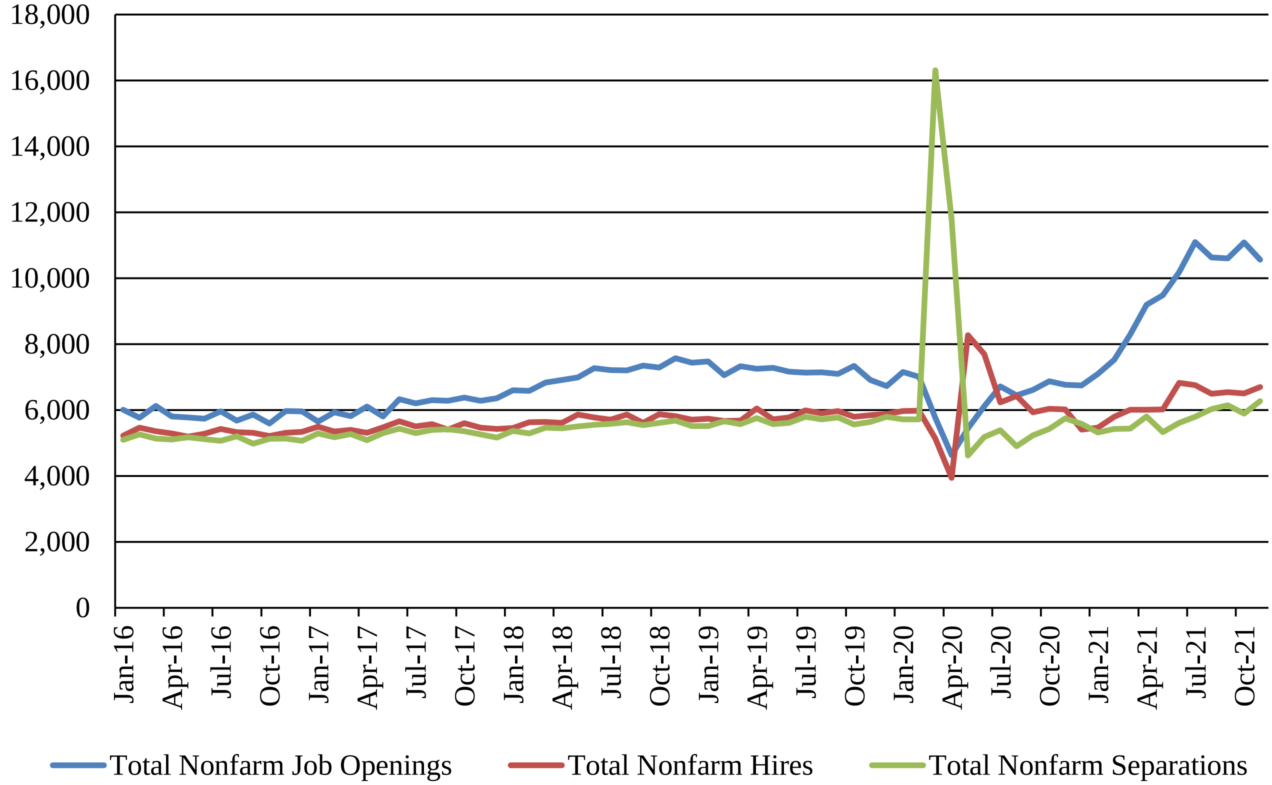
Exhibit 14
U.S. State Vacancy Rates
November 2021

State	Vacancy Rate
Alabama	12.5
California	16.6
Colorado	21.9
Connecticut	13.6
Delaware	15.0
Indiana	23.5
Nevada	22.8
New Mexico	20.8
Pennsylvania	8.8
South Carolina	21.3
Virginia	17.6
West Virginia	12.1

Source: Department of Legislative Services

The problem extends nationwide, as the labor market continues to shift and rebalance in the wake of the historic turmoil of the COVID-19 pandemic and the ongoing economic recovery. **Exhibit 15** shows job openings, hires, and separations since 2016. Over the last year, job openings have risen to more than 10 million nationwide, with hires lagging far behind, meaning millions of available jobs are going unfilled.

Exhibit 15
National Job Openings, Hires, and Separations
Calendar 2016-2021
(In Thousands)



Source: U.S. Bureau of Labor Statistics

Salary Increases Provided to State Employees

A recent survey of public sector workers found that the best way to retain employees was with increased compensation. The Governor's budget includes funding across fiscal 2022 and 2023 to provide for salary increases to State employees. All of the State's bargaining units have come to agreements with the State for various salary increases, as shown below in **Exhibit 16**. Historic salary actions can be found in **Appendix 2**.

Exhibit 16
Collective Bargaining Agreements
Calendar 2022-2024

		January 1, 2022	July 1, 2022	July 1, 2023	July 1, 2024
AFSCME*	Bonus	$1,000			
	COLA		3.0%	2.0%	
	Increment	2.4%	2.4%		
	Settlement	2.0%			
SLEOLA and BWI Firefighters	COLA		7.0%	5.0%	5.0%
	Increment		2.4%	2.4%	2.4%
MPEC	Bonus	$1,500			
	COLA	1.0%	3.0%	2.0%	
	Increment	2.4%	2.4%		
AFT-Healthcare	Bonus	$1,500			
	COLA**	1.0%	3.0%	2.0%	
	Increment	2.4%	2.4%		
Non-represented	Bonus	$1,500			
	COLA	1.0%	3.0%		
	Increment	2.4%	2.4%		

*AFSCME employees that were part of a grievance against the State related to pandemic response and premium pay also received a $2,500 bonus.
** AFT-Healthcare nurses will receive an additional 6% salary increase in July 2022.

AFT: American Federation of Teachers
AFSCME: American Federation of State, County and Municipal Employees
BWI: Baltimore-Washington International
COLA: cost-of-living adjustment
MPEC: Maryland Professional Employees Council
SLEOLA: State Law Enforcement Officers Labor Alliance

Note: SLEOLA employees received a 4% COLA and increment effective July 1, 2021, that was funded in the fiscal 2022 allowance.

Source: Department of Budget and Management

In total, the salary actions will cost the State $832.5 million over fiscal 2022 and 2023, as shown in **Exhibit 17**. The fiscal 2022 deficiency appropriation and fiscal 2023 allowance provide funding for all State agencies, including higher education, the Maryland General Assembly, and the Judiciary (with the exception of increments, which are budgeted within the Judiciary budget). In addition to the actions noted above, the statewide account also provides funding for CO bonuses and an Annual Salary Review (ASR). The $2,500 bonus funding is for AFSCME-represented employees who were part of a grievance that sought emergency pay, or twice the hourly rate, for certain employees due to the pandemic The union and the State came to a settlement over the dispute that included the bonus as well as a 2% COLA for all members in January 2022.

Exhibit 17
Budgeted Statewide Salary Action Funding
Fiscal 2022-2023
($ in Millions)

Employees	Actions	2022	2023	Grand Total
All Except SLEOLA	$1,000 Bonus	$80.81		$80.81
MPEC, AFT-Healthcare, Non-represented	$500 Bonus	31.13		31.13
MPEC, AFT-Healthcare, Non-represented	January 2022 1% COLA	25.40	$50.58	75.98
All Except SLEOLA	January 2022 increment	80.99	161.58	242.57
AFSCME	January 2022 2% AFSCME COLA	11.22	22.43	33.65
AFSCME	January 2022 AFSCME $2,500 bonus	11.00		11.00
All Except SLEOLA	July 2022 3% COLA		181.96	181.96
All Except SLEOLA	July 2022 increment		119.99	119.99
SLEOLA	July 2022 7% SLEOLA COLA		7.83	7.83
SLEOLA	July 2022 SLEOLA increment		22.75	22.75
Correctional Officers (CO)	CO bonuses	1.86	11.66	135.2
All	Annual Salary Review		11.34	11.34
Total		**$242.41**	**$590.11**	**$832.52**

AFT: American Federation of Teachers
AFSCME: American Federation of State, County and Municipal Employees
COLA: cost-of-living adjustment
MPEC: Maryland Professional Employees Council
SLEOLA: State Law Enforcement Officers Labor Alliance

Source: Department of Budget and Management

While extensive, these salary increases in general are only keeping pace with other public sector jobs. According to a DLS survey of counties, most county employees across the State will have received a salary increase in fiscal 2022 in the same range as the State actions listed above. Others will see higher salary increases. Calvert County, for example, is providing general fund employees with a 7% salary increase in fiscal 2022 and 2023. In addition, it was recently reported that President Joseph R. Biden, Jr. will submit a federal budget that includes a 4.6% salary increase for federal employees.

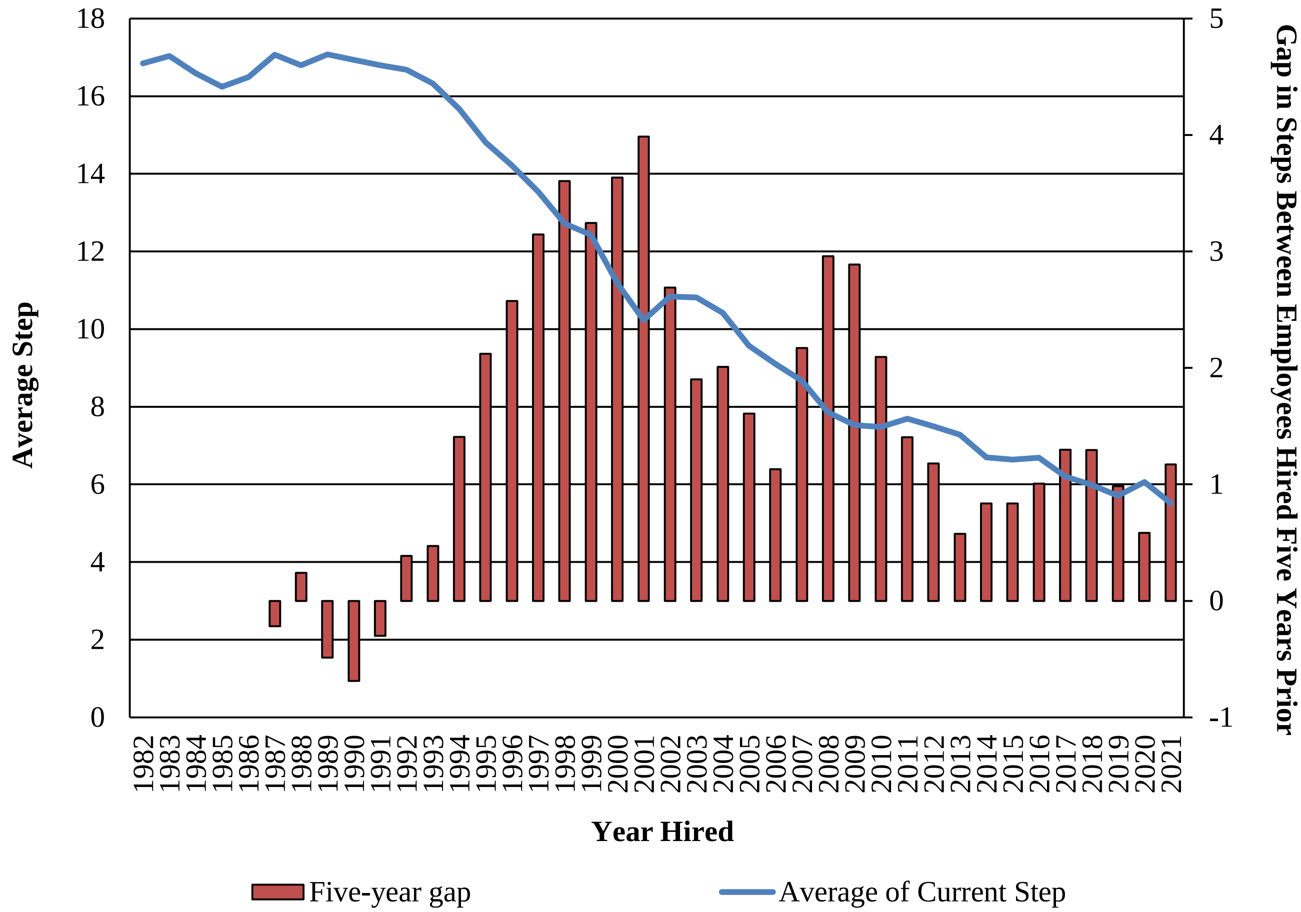
Salary Scale in Need of Rebasing

Several agencies, including the State Retirement Agency and DGS, have reported hiring new employees well above base in order to attract candidates to difficult-to-fill positions. This practice has grown more frequent recently, but DBM states the exact frequency is not known. Hiring above base requires the approval of the Secretary, who has given blanket approval to all agencies to hire up to the midpoint for skilled and professional positions and up to the third quartile for management and special appointment positions, indicating the practice is fairly widespread.

While hiring above base can improve recruitment, it creates an awkward compression at the lower end of the salary scale and can harm retention if employees do not feel they are being fairly compensated. Step increases (also called increments) are larger at the bottom of the salary scale (about 3.8%), and are therefore more beneficial to newer employees – but only if hiring is done at base. These early step increases provide rewards for employees who gain experience and become more proficient at their duties. Not providing increments can lead to new employees earning as much or more as more experienced employees in the same type of job, something for which there is anecdotal evidence. In recognition of the potential for negative impacts, the State and AFSCME, AFT-Healthcare, and MPEC have agreed to pay equity provisions. If a new employee is hired at a higher salary due to recruiting difficulties, other employees in the same job class under the same direct supervisor would have their salaries increased to match the new employee. This provision is fairly limited and does not prevent other types of compression for employees in different but similar classes or who have different direct supervisors.

Exhibit 18 shows how employees hired within the last 10 years have very little difference in their steps. On average, employees hired after 2010 are approximately 1 step behind employees hired 5 years earlier. This is in contrast to employees hired in the 1990s or late 2000s, who on average are 2.5 to 4 steps behind employees hired 5 years earlier. This pattern in indicative of a lack of increments in recent years and suggests that base salaries are likely too low for the current labor market. Although a salary scale rebasing would not fix this compression for existing employees, it would prevent the problem from expanding with every new hire above base. **DLS recommends the adoption of budget language that would restrict funds pending an OPSB statewide salary review and a plan for the rebasing of the salary scale in an effort to more adequately address salary equity among existing employees and new hires in an attempt to improve both recruitment and retention.**

Exhibit 18
Average Steps of SPMS Employees by Hiring Year
Calendar 1982-2021



SPMS: State Personnel Management System

Source: Department of Legislative Services

DBM has regularly performed ASRs in an effort to align salaries to market conditions in selected positions. However, there is no systematic approach to performing ASRs. For example, the fiscal 2023 allowance includes funding for a 6% salary increase for nurses at State facilities as part of the funding for ASRs, which was an action the State and the nurses' bargaining unit agreed on, not a systematic review of nurse salary levels. DBM states that ASRs are prompted by union or agency requests, as well as occasional DBM reviews. **DLS recommends the adoption of budget language that would restrict funds pending an OPSB report that provides a process for regular, systematic ASRs going forward.**

Nonmonetary Strategies

After compensation, public sector workers in a Route Fifty survey reported that schedule flexibility was the next best way to retain employees. In this regard, many areas of State employment offer scheduling that is more attractive than many other options. DBM recently expanded its telework policy to allow for more options, and the State offers large amounts of paid leave each year: 10 days (increasing to 25 with seniority) of paid leave; 6 paid personal days; 11 paid State holidays; and 15 paid sick leave days; as well as paid parental leave. The State also offers a strong defined benefit retirement plan, which is relatively rare in the private sector, as well as a comprehensive health insurance plan.

2. Employee and Retiree Health Insurance Account

The Employee and Retiree Health Insurance Account is shown in **Exhibit 19**. The account closed with a year-end fund balance of $43.5 million in fiscal 2021, a decrease of nearly $100 million. After accounting for incurred but not received bills, the account closed with a deficit of $28.4 million. There is a projected negative reserve fund balance reflected at the end of fiscal 2023; however, the fund is balanced on a cash basis. As noted earlier, the proposed budget includes a $75 million federal fund and $80 million general fund deficiency appropriation for fiscal 2022 to subsidize the fund, as well as an additional $80 million general fund contribution in fiscal 2023. These payments were required due to higher than anticipated health care costs in fiscal 2021 and 2022. The subsidy also allows employee premium costs to be raised less than otherwise necessary. Premiums for most plan members increased 5% for medical plans, 10% for prescription plans, and either 2% or 5% for dental plans, depending on the chosen plan, on January 1, 2022, after increasing by 4.5% the prior year. DBM also indicates likely premium increases similar in size to the 2022 increases in January 2023.

Exhibit 19
Employee and Retiree Health Insurance Account
Fiscal 2021 Actual-2023 Allowance
($ in Millions)

	2021 Actual	2022 Working	2023 Allowance
Beginning Balance	**$143.3**	**$43.5**	**$72.4**
Expenditures			
DBM – Personnel Administrative Cost	**$6.8**	**$8.0**	**$8.0**
Payments of Claims			
Medical	$1,129.7	$1,186.2	$1,245.5
Prescription	673.7	724.2	778.5
Pharmacy Rebates	-189.5	-200.0	-213.0
Dental	55.3	58.8	62.5
Contractual Employee Claims	24.9	26.1	27.4
Payments to Providers	**$1,694.1**	**$1,795.3**	**$1,900.9**
% Growth in Payments	6.6%	6.0%	5.9%

	2021 Actual	2022 Working	2023 Allowance
Receipts			
State Agencies**	$1,158.9	$1,253.9	$1,369.7
Employee Contributions**	191.6	198.0	210.7
Retiree Contributions	101.5	103.3	110.3
EGWP Subsidies and Other Revenue	116.0	121.9	130.1
Other State and Federal Subsidies	0.0	155.0	80.0
Agency Reversions	33.1	0.0	0.0
Total Receipts	**$1,601.1**	**$1,832.2**	**$1,900.9**
% Growth in Receipts	2.2%	14.4%	3.7%
Ending Balance	**$43.5**	**$72.4**	**$64.4**
Estimated Incurred but Not Received	**-$71.9**	**-$71.9**	**-$72.0**
Reserve for Future Provider Payments	**-$28.4**	**$0.5**	**-$7.6**

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

The split of employer to employee contributions to the plan agreed to by DBM and the various bargaining units is 85/15 for exclusive provider organization plans and 80/20 for preferred provider organization (PPO) plans. Due to the large shortfall in the account, DBM determined that the State would subsidize a larger share of costs to ease the need to increase employee premiums. With the subsidy payments in fiscal 2022 and 2023, the State share will be approximately 82% in total. As most members participate in the PPO plans, the State is contributing above the agreed upon amount.

Payments to providers grew by 6.6% in fiscal 2021. Medical costs, which make up the largest amount of claims costs, grew by 7.2% after a year of slow growth driven by the COVID-19 pandemic and patients delaying or avoiding care. Costs are projected to grow by 5.0% in fiscal 2022 and 2023. **DLS recommends annual committee narrative requesting DBM to submit data on medical costs and utilization.**

Dental costs grew by 11.7 % to $55.3 million in fiscal 2021, as members resumed dental care that had been avoided during the early portions of the pandemic. DBM projects increases of 6.3% in fiscal 2022 and 2023.

The second largest health benefit cost is for prescription drug coverage, which net of rebates represent 29% of claims costs in fiscal 2021. Prescription drug claims net of pharmacy rebates are projected to increase by 8.3% in fiscal 2022 and then increase by 7.9% in fiscal 2023 in the health insurance forecast. After two years of substantial growth in pharmacy rebates, the growth of rebates is expected to be similar to the growth in prescription costs. Rebates 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.

Employer Group Waiver Plan and federal reinsurance subsidy revenue, which grew by 23% in fiscal 2020 and 38% in fiscal 2021, is only expected to grow by 5% in fiscal 2022 and 6.7% in fiscal 2023. The leveling off of the increase is due to 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. **DLS recommends annual committee narrative to request that DBM submit prescription drug utilization and cost data.**

Part D Transition Remains on Hold

The State currently offers retiree prescription drug coverage, which acts as wraparound coverage for retirees with Medicare Part D. In 2011, legislation was enacted that would have eliminated State prescription drug coverage for Medicare-eligible retirees in fiscal 2020 (July 1, 2019), in order to address the State's high unfunded Other Post Employment Benefits liability. The date was chosen to coincide with the scheduled elimination of the Medicare Part D coverage gap with the intention of mitigating the financial impact of the transition on retirees. In February 2018, federal legislative action accelerated the elimination of the Medicare Part D coverage gap to January 1, 2019. In response, the State accelerated the transition of Medicare-eligible retirees fully onto Medicare Part D coverage to coincide with the revised date. In September 2018, a lawsuit was filed against the planned transition. In October 2018, a restraining order and temporary injunction was granted, delaying the transition of Medicare-eligible retirees until the lawsuit is resolved. During the 2019 session, legislation (Chapter 767, or SB 946) was enacted to create prescription drug out-of-pocket reimbursement or catastrophic coverage programs for certain State retirees, dependents, or surviving dependents who are enrolled in a Medicare prescription drug benefit plan.

Groups of retirees and employees have sued the State in an effort to prevent the end of prescription drug coverage for Medicare-eligible retirees. The judge in the *Fitch v. Maryland* case recently released an opinion that divides the plaintiffs into four groups:

- Employees who retired on or before June 30, 2011, with 16 years or at least 5 years of service.
- Employees who retired between July 1, 2011, and December 31, 2018, with 16 years or at least 5 years of creditable service.
- Employees who retired after December 31, 2018.
- Active employees.

The judge wrote that the first two groups have a contractual right to prescription drug benefits from the State, but that the second two groups do not. The opinion further states that while employees who retired in 2018 or earlier have a contractual right to prescription drug coverage from the State, reasonable changes to the offerings could be made. Further court proceedings would determine whether or not the changes made by the enactment of Chapter 767 would be considered reasonable. Any of the above groups or the State could also appeal the ruling.

Chapter 767 prevents the implementation of retiree drug plan changes from going into effect until the start of the plan year following a resolution to the lawsuit if the resolution occurs at least nine months prior to the start of the open enrollment period. Unless there is a resolution very soon, it would be impossible to implement changes until the following plan year, or January 1, 2024. The DBM forecast discussed above does not assume any savings from the transition, which would be more than $100 million annually if fully implemented. **DBM should comment on its plans for implementing the Part D transition.**

3. Implementation of Reverse Auction Proves Difficult

Chapter 434 of 2020 requires DBM to use a reverse auction to select a 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. The budget committees requested a report from DBM on its implementation of the reverse auction legislation in last session's *Joint Chairman's Report* (JCR). The report summarizes the process to date and the ongoing implementation schedule, as well as raises concerns about the process and implementing it by the end of the current contract period.

DBM notes that the reverse auction process can conflict with State procurement law, as it removes the ability of a procurement officer to select the best value for the State when incorporating both technical and financial considerations.

The DBM schedule provided in the report – which was submitted in November 2021 – states that a new PBM contract would need to be in place by August 2022 in order to be ready for the calendar 2023 open enrollment period. To accomplish that, a contract for a vendor to design the RAP would have had to have been awarded by December 2021; that contract has yet to be awarded. **DBM should comment on its ability to procure a PBM in time for the calendar 2023 open enrollment period and what its contingency plans are if a PBM cannot be procured via reverse auction prior to the calendar 2023 open enrollment period.**

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

   , provided that $100,000 of this appropriation made for the purpose of agency administration may not be expended until the Department of Budget and Management (DBM) develops a plan for the rebasing of the State employee salary scale that would be effective July 1, 2023, and submits a report on the plans for rebasing.

   DBM shall determine the appropriate methodology for rebasing the scales with the intention of the base steps providing adequate salary to attract candidates to State positions while also incentivizing veteran employees to remain in State employment. DBM shall provide a report detailing the following:

   (1) the methodology used to rebase the salary scales;

   (2) the revised salary scales; and

   (3) the estimated cost of new salary scales for fiscal 2024.

   The report shall be submitted by December 1, 2022, and the budget committees shall have 45 days from the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

   It is the intent of the General Assembly that the Governor should regularly include increments in annual compensation actions in order to avoid salary compression among State employees.

   Explanation: High levels of vacancies have led to State agencies hiring new employees at steps well above base. While necessary to attract new employees, the practice compresses the lower end of the salary scale which can lead to increased turnover.

Information Request	**Author**	**Due Date**
Report on rebasing of salary scales	DBM	December 1, 2022

2. Add the following language to the general fund appropriation:

   Further provided that $100,000 of this appropriation made for the purpose of agency administration may not be expended until the Department of Budget and Management and Maryland Department of Transportation (MDOT) submit a report detailing formal procedures for performing Annual Salary Reviews in the State Personnel and Management System and MDOT.

The procedures shall include timelines for when reviews are performed, methodologies for determining the employee classes eligible for review, and methods for determining the amount of funds available to allocate annually for a salary review.

The report shall be submitted by November 1, 2022, and the budget committees shall have 45 days from the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: There is currently no formal procedure for conducting Annual Salary Reviews (ASR). This language restricts funds until a procedure is created for the State Personnel Management System, MDOT, and higher education employees and a report detailing the procedure is submitted to the budget committees.

Information Request	**Author**	**Due Date**
Report on a procedure for ASRs	Department of Budget and Management MDOT	November 1, 2022

3. Adopt the following narrative:

Health Insurance Account Closeout Report: The committees request a report on the fiscal 2022 closeout of the Employee and Retiree Health Insurance Account. This report shall include (1) closing fiscal 2022 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 2022 closeout data for the Employee and Retiree Health Insurance Account	Department of Budget and Management	October 1, 2022

4. 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, 2022 December 15, 2022 March 15, 2023 June 15, 2023

5. 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, 2022 December 15, 2022 March 15, 2023 June 15, 2023

6. 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</u>

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.

7. Add the following section:

Section XX Injured Workers' Insurance Fund Accounts

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

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

Information Request	**Author**	**Due Date**
Report on the status of ledger control account	IWIF	Monthly beginning on July 1, 2022

8. 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, 2022, 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, 2023, the status of positions created with non-State funding sources during fiscal 2020 through 2023 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 2020 through 2023	Department of Budget and Management	June 30, 2023

9. 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 2022, 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 2022 and on the first day of fiscal 2023. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2022 and 2023, 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 2023 for the budget committees upon creation of regular FTE positions through Board of Public Works action and upon transfer or abolition of positions. This report shall also be provided as an appendix in the Governor's Fiscal 2024 Budget Books. It shall note, at the program level:

(1) where regular FTE positions have been abolished;

(2) where regular FTE positions have been created;

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

(4) where any other adjustments have been made.

Provision of contractual FTE information in the same fashion as reported in the appendices of the Governor's Fiscal 2023 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, 2022	Department of Budget and Management (DBM)	July 14, 2022
Report on the creation, transfer, or abolition of regular positions	DBM	As needed

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 Governor's Fiscal 2024 Budget Books an accounting of the fiscal 2022 actual, fiscal 2023 working appropriation, and fiscal 2024 estimated revenues and expenditures associated with the employees' and retirees' health plan. The data in this report should be consistent with the budget data submitted to the Department of Legislative Services. This accounting shall include:

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

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

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

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

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

Information Request	**Author**	**Due Date**
Accounting of the employee and retiree health plan revenues and expenditures	Department of Budget and Management	With submission of the Governor's Fiscal 2024 Budget Books

Appendix 1
2021 *Joint Chairmen's Report* Responses from Agency

The 2021 JCR requested that DBM prepare 10 reports. Electronic copies of the full JCR responses can be found on DLS Library website.

- ***Report on Fiscal 2021 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 $43.5 million in fiscal 2021. Further discussion of this data can be found in Issue 2 of this analysis.

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

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

- ***PBM Reverse Auction Implementation:*** DBM is behind schedule on its plans to implement a reverse auction to award the contract for a PBM for calendar 2023. Further discussion of this can be found in Issue 3 of this analysis.

- ***Quarterly COVID-19 Disaster Relief Fund Reports:*** Quarterly reports were provided and used to inform the budget analysis for several agencies, including MDH and the Maryland Department of Emergency Management.

- ***Report on the Status of Ledger Control Account:*** Monthly reports were provided by the Injured Workers' Insurance Fund.

- ***Certification of the Status of Positions Created with Non-state Funding Sources during Fiscal 2020 through 2023:*** This report is due on June 30, 2022.

- ***Total Number of Full-time Equivalents on June 30 and July 1, 2021:*** DBM reported 80,523.33 authorized positions at the close of fiscal 2021 and 80,084.29 authorized positions as of July 1, 2021. Further discussion of personnel issues can be found in Issue 1 of this analysis.

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

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

Appendix 2
Permanent Employee Statewide Salary Actions
Fiscal 2003-2023

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
2022(4)	January 1, 2022	1%, $1,500 one-time bonus	January 1, 2022
2023	July 1, 2022	3%	On time

(1) 2- to 5-day furlough
(2) 3- to 10-day furlough
(3) Not applied to American Federation of State, County and Municipal Employees (AFSCME) represented employees
(4) AFSCME-represented employees received a 2% cost-of-living adjustment and $1,000 bonus

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

Appendix 3
Bargaining Units and Representatives
As of January 2022

Unit	Title	Exclusive Representative	Employees	Expiration Dates
A	Labor and Trades	AFSCME	1,568	December 31, 2023
B	Administrative, Technical, and Clerical	AFSCME	4,359	December 31, 2023
C	Regulatory, Inspection, and Licensure	AFSCME	684	December 31, 2023
D	Health and Human Service Nonprofessionals	AFSCME	1,504	December 31, 2023
E	Health Care Professionals	AFT-Healthcare Maryland	1,800	December 31, 2023
F	Social and Human Service Professional	AFSCME	3,234	December 31, 2023
G	Engineering, Scientific, and Administrative Professionals	MPEC	4,965	December 31, 2023
H	Public Safety and Security	AFSCME/Teamsters	7,371	December 31, 2023
H	BWI Marshall Airport Fire Fighters	International Airport Professional Firefighters Local 1742 I.A.F.F., AFL-CIO, CLC	73	December 31, 2024
I	Sworn Police Officers	SLEOLA	1,793	June 30, 2022
J	MDTA Sworn Officers	MDTA Police Lodge #34	404	June 30, 2022
		Total	**27,755**	

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 Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport
CLC: Canadian Labor Congress
I.A.F.F: International Airport Fire Fighters
MDTA: Maryland Transportation Authority
MPEC: Maryland Professional Employees Council
SLEOLA: State Law Enforcement Officers' Labor Alliance

Source: Department of Budget and Management

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

Object/Fund	FY 21 Actual	FY 22 Working Appropriation	FY 23 Allowance	FY 22 - FY 23 Amount Change	Percent Change
Positions					
01 Regular	133.60	133.60	133.60	0.00	0%
02 Contractual	7.18	4.00	4.00	0.00	0%
Total Positions	**140.78**	**137.60**	**137.60**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 13,921,537	$ 65,080,738	$ 685,242,716	$ 620,161,978	952.9%
02 Technical and Special Fees	442,857	241,900	241,900	0	0%
03 Communication	184,238	724,000	740,350	16,350	2.3%
04 Travel	472	17,300	19,300	2,000	11.6%
07 Motor Vehicles	1,184,432	2,250,000	1,250,000	-1,000,000	-44.4%
08 Contractual Services	11,894,959	9,832,634	9,853,878	21,244	0.2%
09 Supplies and Materials	12,994	65,000	65,000	0	0%
10 Equipment – Replacement	90,716	67,400	110,400	43,000	63.8%
12 Grants, Subsidies, and Contributions	0	2,000,000	0	-2,000,000	-100.0%
13 Fixed Charges	213,376	213,948	227,504	13,556	6.3%
Total Objects	**$ 27,945,581**	**$ 80,492,920**	**$ 697,751,048**	**$ 617,258,128**	**766.8%**
Funds					
01 General Fund	$ 8,210,026	$ 20,121,001	$ 550,319,570	$ 530,198,569	2635.1%
03 Special Fund	0	2,721,770	81,462,723	78,740,953	2893.0%
05 Federal Fund	0	40,551,662	48,566,144	8,014,482	19.8%
09 Reimbursable Fund	19,735,555	17,098,487	17,402,611	304,124	1.8%
Total Funds	**$ 27,945,581**	**$ 80,492,920**	**$ 697,751,048**	**$ 617,258,128**	**766.8%**

Note: The fiscal 2023 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions.

Appendix 5
Fiscal Summary
Department of Budget and Management - Personnel

Program/Unit	FY 21 Actual	FY 22 Wrk Approp	FY 23 Allowance	Change	FY 22 - FY 23 % Change
01 Executive Direction	$ 11,420,095	$ 9,456,566	$ 9,532,484	$ 75,918	0.8%
02 Division of Employee Benefits	7,771,394	8,252,539	8,438,597	186,058	2.3%
04 Division of Employee Relations	4,395,977	4,443,389	5,000,357	556,968	12.5%
06 Division of Classification and Salary	2,062,235	2,008,887	2,125,833	116,946	5.8%
07 Division of Recruitment and Examination	1,109,448	1,151,364	1,294,750	143,386	12.5%
08 Statewide Expenses	1,184,432	53,180,175	671,359,027	618,178,852	1162.4%
09 SmartWork	2,000	2,000,000	0	-2,000,000	-100.0%
Total Expenditures	**$ 27,945,581**	**$ 80,492,920**	**$ 697,751,048**	**$ 617,258,128**	**766.8%**
General Fund	$ 8,210,026	$ 20,121,001	$ 550,319,570	$ 530,198,569	2635.1%
Special Fund	0	2,721,770	81,462,723	78,740,953	2893.0%
Federal Fund	0	40,551,662	48,566,144	8,014,482	19.8%
Total Appropriations	**$ 8,210,026**	**$ 63,394,433**	**$ 680,348,437**	**$ 616,954,004**	**973.2%**
Reimbursable Fund	$ 19,735,555	$ 17,098,487	$ 17,402,611	$ 304,124	1.8%
Total Funds	**$ 27,945,581**	**$ 80,492,920**	**$ 697,751,048**	**$ 617,258,128**	**766.8%**

Note: The fiscal 2023 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions.