

F10A02
Office of Personnel Services and Benefits
Department of Budget and Management

Operating Budget Data

	(\$ in Thousands)				
	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$10,214	\$7,895	\$78,435	\$70,540	893.4%
Special Fund	0	1,257	66,711	65,454	5206.1%
Reimbursable Fund	<u>4,894</u>	<u>7,588</u>	<u>6,342</u>	<u>-1,246</u>	<u>-16.4%</u>
Total Funds	\$15,108	\$16,740	\$151,488	\$134,747	804.9%

- There is a proposed deficiency of \$1,245,210 to reimburse the federal government for its portion of refunds that were recovered as the result of audits of the State's payments for telephone services from fiscal 1997 to 2007.
- The Office of Personnel Services and Benefits' (OPSB) budget increases by \$134.7 million in the fiscal 2009 allowance.
- General and special fund increases are due primarily to the inclusion of statewide employee salary increases, which will be transferred through amendment to other State agencies after the beginning of fiscal 2009. A total of \$79.2 million is included for a 2% general salary increase for State employees, \$24.7 million of which is provided for public higher education institutions.
- The special fund increase also includes \$50.0 million for the Chesapeake Bay 2010 Trust Fund monies awaiting distribution to various projects.
- If the deficiency, statewide expenditures, and health and Other Post Employment Benefits funding are excluded, OPSB has an agency level change of -\$1,636,081, or -12.9%.

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

For further information contact: Dylan R. Baker

Phone: (410) 946-5530

Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	121.00	119.00	118.00	-1.00
Contractual FTEs	<u>0.10</u>	<u>1.10</u>	<u>1.10</u>	<u>0.00</u>
Total Personnel	121.10	120.10	119.10	-1.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	3.53	2.99%
Positions Vacant as of 12/31/07	10.00	8.40%

- One vacant position is deleted as part of the 2007 special session action to abolish 500 vacant positions, but it is still reflected in the vacancy rate tally.
- Of the nine remaining vacant positions, none have been vacant longer than a year.

Analysis in Brief

Major Trends

Retention Rates Continue to Fall: Between fiscal 2002 and 2007, the statewide rate of employee retention has declined from 92.3 to 89.3%.

Usage of Employee Performance Evaluations Declines: Despite a statutory mandate, only 50.92% of employees were evaluated in fiscal 2007, down from 63.4% in fiscal 2004.

Employee Compensation Overview

Statewide Regular Employee Compensation Grows by 8.73% in Fiscal 2009: Statewide employee compensation grows by \$549.1 million, or 8.73%, in the allowance, driven by the inclusion of Other Post Employment Benefits funding, increased health insurance expenditure, and salary enhancements from increment and cost-of-living adjustment increases.

Issues

Vacancies, Turnover, and the Hiring Freeze: A recent Department of Budget and Management (DBM) report on the causes of high statewide vacancy rates indicates that current budgeting subobject usage is obscuring turnover figures. The hiring freeze as currently implemented is a management tool rather than a limit on hiring, as nearly 90% of all requests for exemption from the freeze are approved. **DBM should comment on its instruction for use of personnel subobjects, its plans to improve departmental reporting of costs, and the need for centralized control over hiring decisions outside of the budget process.**

Employee and Retiree Health Insurance Balance Used: Past fund balances have been utilized to reduce budgeted health insurance expenditures for the State, employees, and retirees. Alignment of budgeting to actual costs will require improved actuarial forecasting of health insurance increases. **DBM is asked to discuss its strategy for health insurance cost projections in fiscal 2009 and 2010 and to provide the Department of Legislative Services with monthly reporting of health insurance premium payment information and payroll deduction figures for State employees and retirees to facilitate closer tracking of cost changes.**

Other Post Employment Benefits Funding: A statewide fund has been established to pool and invest funds to help offset the State's long-term retiree health insurance liability. Even with recent efforts to direct monies to the fund, nearly half of the annual contribution required to slow the liability's expansion remains unfunded. **DBM is asked to comment on its strategy for fully funding the Annual Required Contribution.**

Injured Workers' Insurance Fund Administrative Charges: A recent legislative audit of the State Treasurer's Office contained findings related to the State's relationship with its third party workers' compensation claims administrator, the Injured Workers' Insurance Fund (IWIF). The issue discusses the State accounts entrusted to IWIF and the expenditures charged the State by IWIF for its services.

Recommended Actions

1. Add budget bill language to restrict \$1.0 million in general funds until delivery of comparative compensation study.
2. Adopt committee narrative for monthly health insurance reports.
3. Adopt committee narrative for semi-annual health insurance reporting.
4. Add annual back-of-the-bill section concerning "Rule of 50".
5. Add annual back-of-the-bill section requiring report of regular and contractual positions.

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6. Add annual back-of-the-bill section reporting on Executive Pay Plan employees.
7. Add annual back-of-the-bill section allowing continuation of employees in abolished positions in another State position.
8. Add annual back-of-the-bill section requiring an accounting of the employee and retiree health plan revenues and expenditures in the Governor's Budget Book.
9. Add annual back-of-the-bill section requiring Other Post Employment Benefits (OPEB) costs to be budgeted in an OPEB subobject.

Updates

Health Vendor Review: The release of a DBM report auditing health plan vendor compliance with contract performance measures, which was requested during the 2007 session, has been delayed until March 2008.

Special Appointments Information Being Gathered: New provision prompts inclusion of information on special appointment positions in DBM annual report.

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Office of Personnel Services and Benefits
Department of Budget and Management

Operating Budget Analysis

Program Description

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

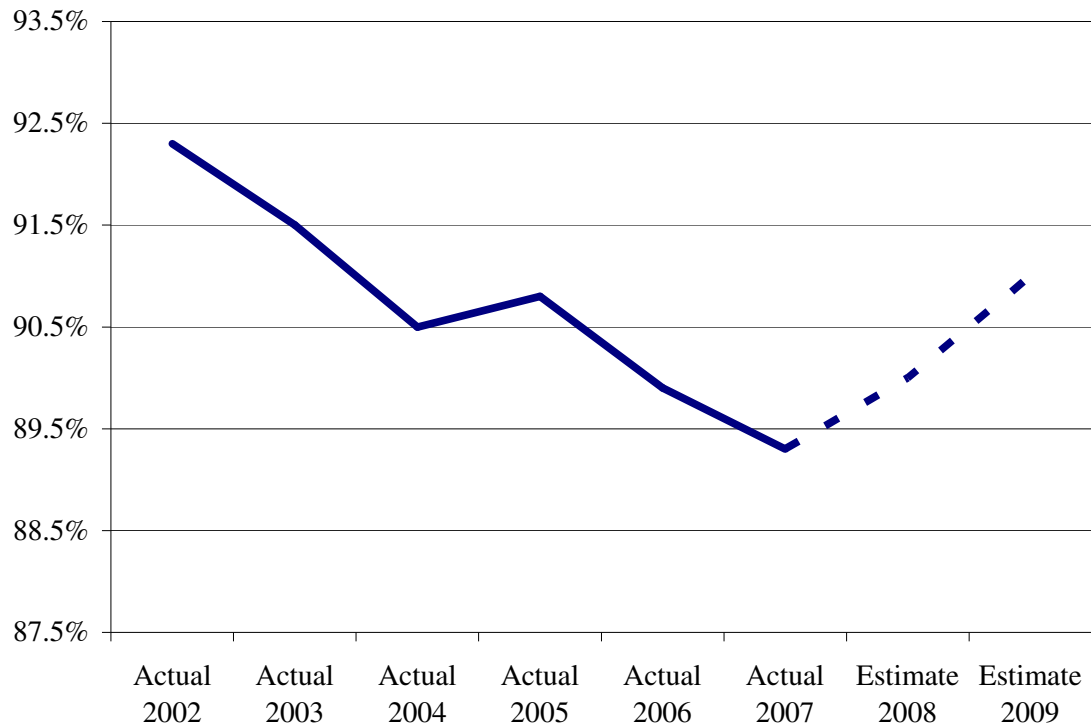
Primary Managing for Results goals include provisions that:

- employees in the State Personnel Management System will be retained;
- the salary system promotes recruitment and retention of a qualified State workforce; and
- services provided by State health plan vendors meet quality standards of performance

Performance Analysis: Managing for Results (MFR)

One of the most important measures over which OPSB has some degree of control is the retention rate for employees in grades 5 to 26. Between fiscal 2002 and 2007, the statewide retention rate declined from 92.3% to 89.3%. The retention rate is the number of filled positions minus separations from the State divided by the number of filled positions. A downward trend is evident, as **Exhibit 1** shows, but the Department of Budget and Management (DBM) projects improvement in fiscal 2008 and 2009. Decreasing retention aggravates existing statewide problems with high vacancy rates, which will be addressed in depth in the issues section. **The department is asked to comment on the continuing deterioration of the retention rate and its rationale for projecting improvement in the future.**

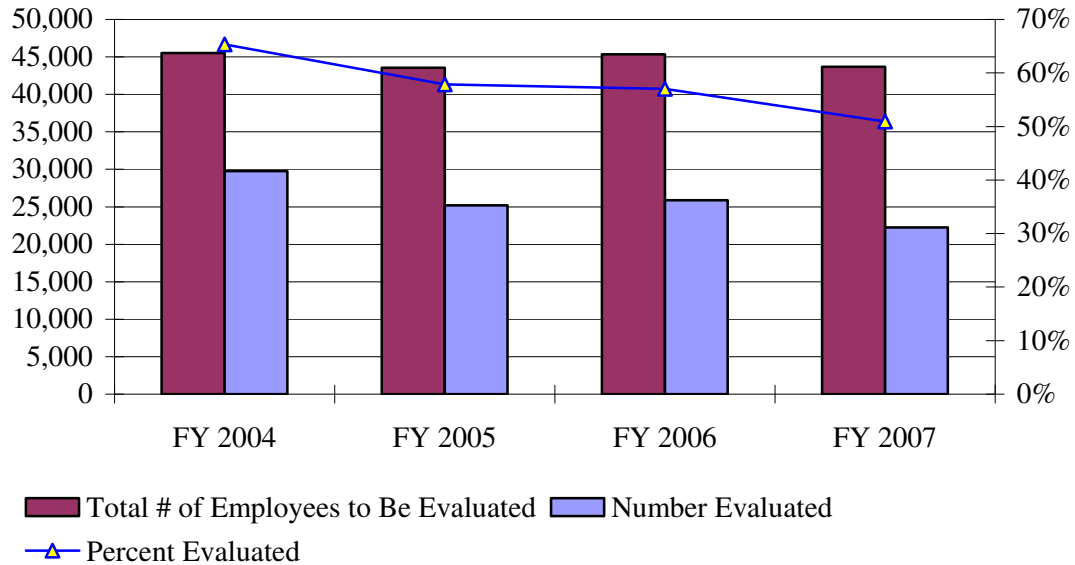
Exhibit 1
Employees Retention Rate
Fiscal 2002-2009



Source: Department of Budget and Management

Another measure over which OPSB has influence is the employee evaluation program. Evaluations provide feedback to employees regarding job performance while offering departments a chance to assess how staff efforts contribute to the achievement of agency goals. As such, the Department of Legislative Services (DLS) requested that OPSB include evaluation information in its MFR data reporting during the 2007 session. It has yet to do so. The information, however, is informative. As **Exhibit 2** shows, the percentage of employees evaluated has decreased from 63.4% in fiscal 2004 to 50.92% in fiscal 2007.

Exhibit 2
Employees to Be Evaluated vs. Employees Actually Evaluated
Fiscal 2004-2007



Note: Actual employees not full-time equivalents. Does not include some contractual, permanent, and Executive Pay Plan employees. This data does not include the Sr. Citizens Aides employees.

Source: Department of Budget and Management

In the past, OPSB has cited two frequent impediments to its attempts to improve this figure – (1) the belief held by potential evaluators that the form itself is overly lengthy and complex and (2) the fact that departmental supervisors do not feel compelled to perform the evaluations, as large workloads and the absence of performance bonus funding in their budgets act as deterrents. With regard to the first point, OPSB recently began utilizing a shorter spreadsheet-based evaluation form as a prototype to enhance the user-friendliness of the document and promote greater usage. The form is also available to all other agencies that choose to use it through DBM’s dedicated personnel web site.

As for supervisor willingness, Section 7-501 of the State Personnel and Pensions Article states that all employees in the skilled service, professional service, and management service classifications are to receive written evaluations every six months, based on the employee’s entry-on-duty date. With only half of State employees receiving an evaluation this past year, improvements are needed. **Therefore, OPSB is asked to comment on the results that usage of its prototype evaluation document has yielded. It should also discuss its plan for further improving performance evaluation usage and the steps it will take to ensure compliance with statutory employee evaluation requirements. DBM is also once again urged to include the Performance Planning and Evaluation Program evaluation rates in its annual MFR submission.**

Fiscal 2008 Actions

Proposed Deficiency

There is a proposed deficiency of \$1,245,210 to reimburse the federal government for the federal portion of refunds that were recovered as the result of audits of the State’s payments for telephone services for fiscal 1997 to 2007.

Impact of Cost Containment

As part of the Section 45 hiring freeze action, \$101,507 was removed from the fiscal 2008 working appropriation.

Governor’s Proposed Budget

As shown in **Exhibit 3**, the major OPSB budgetary changes reflect statewide expenditures housed within its budget. There is a net of \$76.3 million for general employee salary increases after excess or unspent funds from fiscal 2008 increases are subtracted. Annual salary review (ASR) reclassifications worth \$5.9 million are also included. Other items of note are \$2.1 million for the purchase of police stab protection vests, \$1.0 million in union-negotiated shift differential and clothing allowance enhancements, \$300,000 for the administration of helicopter procurement, and \$148,000 for new charges to the State by the City of Annapolis for spaces in the Whitmore and Gott parking garages.

Exhibit 3
Governor’s Proposed Budget
DBM – Office of Personnel Services and Benefits
 (\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2008 Working Appropriation	\$7,895	\$1,257	\$7,588	\$16,740
2009 Governor’s Allowance	<u>78,435</u>	<u>66,711</u>	<u>6,342</u>	<u>151,488</u>
Amount Change	\$70,540	\$65,454	-\$1,246	\$134,747
Percent Change	893.4%	5206.1%	-16.4%	804.9%

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Where It Goes:

Personnel Expenses

Other Post Employment Benefits funding	\$394
Employee and retiree health insurance.....	180
Hiring above grade.....	135
Fiscal 2008 Budget Section 45 – one-time hiring freeze savings	102
Turnover adjustments.....	83
Increments and other compensation.....	21
Workers’ compensation premium assessment	7
Other fringe benefit adjustments.....	-2
Reduced overtime.....	-12
Abolished/transferred positions	-60
Adjustment for fiscal 2008 cost-of-living adjustment (COLA) brought in through later amendment.....	-135

Statewide Expenditures

Fiscal 2009 statewide COLA	79,204
Chesapeake Bay cleanup funding	50,000
Fiscal 2009 annual salary review	5,919
Stab protection vests	2,080
Union negotiation items	1,000
Helicopter Procurement Administration	300
Garage rent increase at Whitmore and Gott locations.....	148
Income maintenance hiring bonuses	74
Fiscal 2008 special fund COLA overestimation	-1,257
Fiscal 2008 general fund COLA yet to be distributed to agencies and portion reduced for position changes.....	-1,647
Other.....	-2

Other Changes

Ongoing Interactive Voice Response (IVR) maintenance costs	429
Travel reduction	-8
Postage reduction	-20
Legal services.....	-70
Non-data processing contractual reductions	-125
Office renovation completed, funds no longer needed	-273
Reduction of auditing services	-359
Funds no longer need for fiscal 2008 IVR expansion contract spending.....	-1,315
Other.....	-43

Total **\$134,747**

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

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The OPSB agency budget grows primarily from Other Post Employment Benefits funding of \$393,977, which is included in the allowance for the first time, and increases in employee and retiree health insurance costs of \$180,001. Funds to allow hiring above base salaries of \$135,000 and a reduction of the turnover offset of \$83,295 are also included to address the agency's high vacancy level.

Chapter 6 of the 2007 special session created the Chesapeake Bay 2010 Trust Fund as a special non-lapsing fund. The fiscal 2009 allowance budgets \$50 million for the fund in the statewide expense portion of the OPSB budget, pending the determination of how the monies are to be expended. Legislation has been introduced in the 2008 session (SB 213/HB 369) by the Administration that would create a BayStat program overseen by a subcabinet that would disburse any funds appropriated for this purpose to counties, multi-county agencies, municipalities, forest conservancy district boards, soil conservation districts, academic institutions, and nonprofit organizations for non-point source pollution control activities.

Impact of Cost Containment

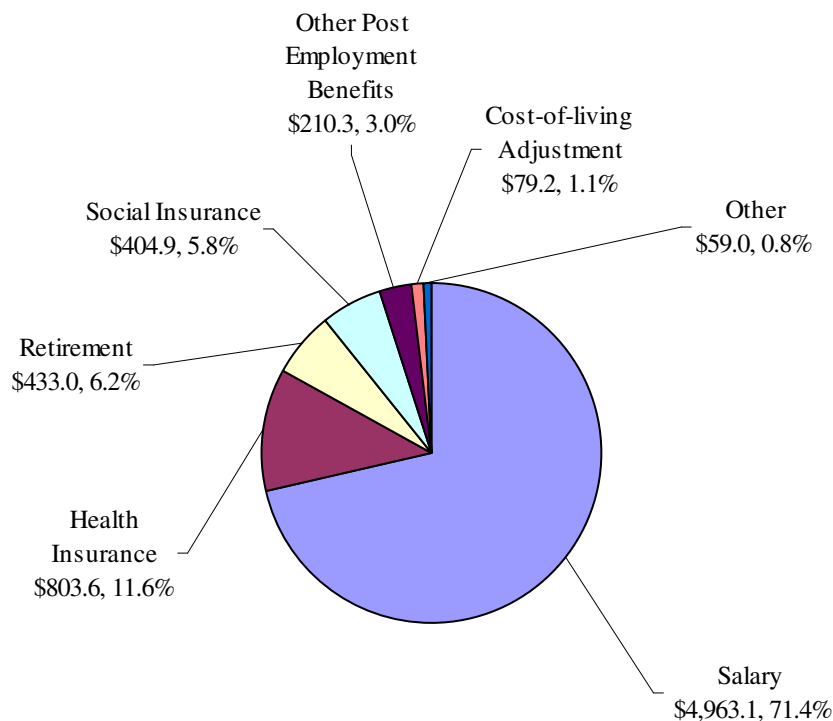
One position was deleted as part of the 2007 special session action to abolish 500 vacant positions statewide. The value of salary and fringe benefits associated with the abolition is \$60,224.

Employee Compensation Overview

Statewide Regular Employee Compensation Grows by 8.73% in Fiscal 2009

The major components of compensation in the fiscal 2009 allowance are illustrated in **Exhibit 4**. State expenditures devoted to regular employee salaries and fringe benefits total \$6,953.1 million in the fiscal 2009 allowance, an increase of \$549.1 million, or 8.73%, over the fiscal 2008 working appropriation. The number of regular full-time equivalent (FTE) State positions is growing by 398, or 0.5%, positions.

Exhibit 4
Primary Components of Regular Employee Compensation
Fiscal 2009 Allowance¹
(\$ in Millions)



¹Before turnover.

Note: Social insurance includes Social Security, workers' compensation insurance, and unemployment compensation insurance. "Other" benefits include deferred compensation match, employee awards, tuition waivers, and other incentives. Does not include nonbudgeted funds.

Source: Department of Budget and Management

The changes, which are detailed in **Exhibit 5**, show that the most significant increases in employee compensation come from four areas:

- increments;
- cost-of-living adjustment (COLA);
- employee and retiree health insurance; and
- Other Post Employment Benefits.

Exhibit 5
Regular Employee Personnel Changes
Fiscal 2008 Working Appropriation to Fiscal 2009 Allowance
(\$ in Millions)

2008 Working Appropriation	\$6,288.6
Fiscal 2008 deficiencies	21.6
General salary changes	
Increments	98.4
2.0% general salary increase – general and special funds (includes \$24.8 million for higher education)	79.2
Annual Salary Review reclassifications	5.9
975.72 new FTE positions in the allowance (includes salary and all fringe)	41.9
500.15 positions abolished by special session action (salary and fringe)	-22.7
77.4 other positions abolished (salary and fringe)	-3.8
Health insurance	
Active and retired employee insurance costs	209.6
Excess nonbudgeted health insurance fund balance used for fiscal 2009 costs	-100.0
Special Maryland Department of Transportation subsidy	3.3
Other Post Employment Benefits	210.3
Retirement	8.5
Social Security	5.8
Unemployment insurance	-4.4
Adjustment to turnover	-20.8
Workers’ compensation insurance	-4.2
Employee incentives (deferred comp, pay for performance bonuses, tuition waivers)	1.7
Overtime	24.2
Miscellaneous adjustments	-8.1
Other salary (additional assistance, shift differential, accrued leave payout, remainder)	2.8

Fiscal 2009 Allowance	\$6,837.7
Increase over Fiscal 2008 Working Appropriation	\$549.1
Percentage Increase	8.73%

Source: Department of Budget and Management

Increments

Increments, frequently called merit increases, are funded in the fiscal 2009 allowance. Increments and other compensation enhancements provided to State employees since fiscal 2000 are listed in **Appendix 4**. The increments, which are intended to reflect the results of performance evaluations, are given in either July or January. About half the workforce receives increments at each point. In fiscal 2009, the approximate cost of the increments is \$98.4 million – \$60.6 million of which is for executive agencies, \$6.5 for the judiciary, and \$30.8 for higher education.

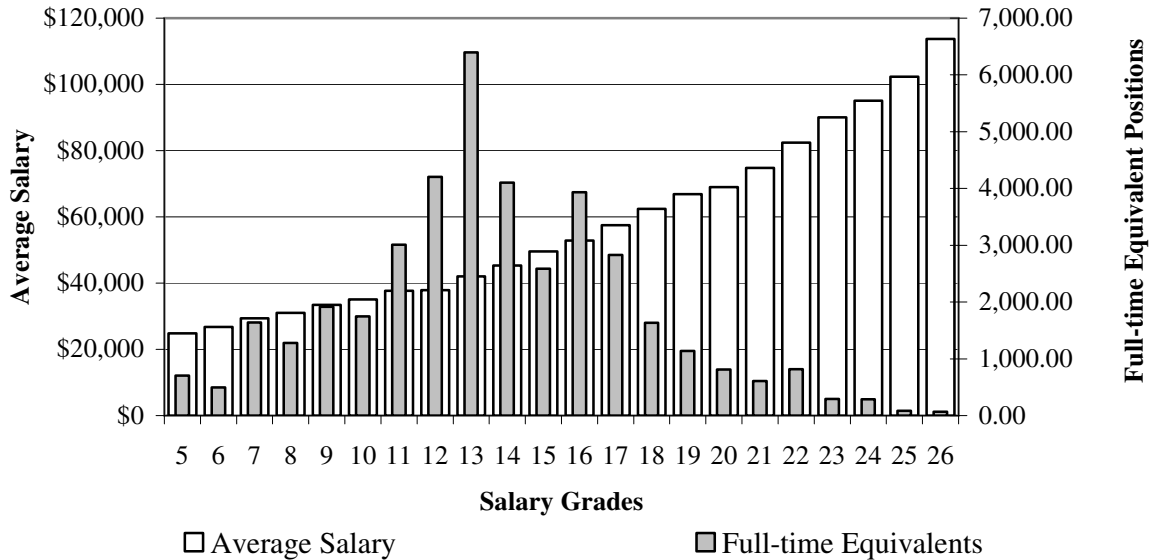
2% Cost-of-living Adjustment

The allowance contains \$79.2 million in general and special funds for a planned 2.0% COLA, effective July 1, 2008. These funds are budgeted in DBM and are to be transferred to non-higher education agencies supporting personnel with general funds (\$38.7 million) and special funds (\$14.8 million), as well as to higher education institutions (\$24.7 million). The federal funds necessary to fund the COLA (\$9.7 million) will be brought in through budget amendment in individual agencies. Other expenditures related to the COLA, such as additional funding for local health agencies and funds for small agencies with a large reimbursable fund impact, total \$0.9 million.

The Impact of Proposed Increases on Standard Salary Schedule Employees

There are 40,585 FTE State employees in the Standard Salary schedule. The average salary paid to these employees, which is detailed in **Appendix 5**, is \$46,486 in the fiscal 2008 working appropriation. The increments and the COLA together would add, on average, approximately \$1,999, or 4.3%, to the average employee's salaries. Slightly more than 25.0% of employees are in grade 11 or below, and approximately 25% are in grade 16 and above. Grade 13 contains the largest number of employees, as shown in **Exhibit 6**.

Exhibit 6
Average Salary and Number of FTE Filled Positions in
Each Grade of the Standard Salary Schedule
Fiscal 2008 Working Appropriation



Source: Department of Budget and Management

Employee and Retiree Health Insurance

Budgeted health insurance costs for employees and retirees increases by \$109.6 million in the allowance. The increase was lower than what projected costs require because \$100.0 million from the fund balance of the nonbudgeted State Employees and Retirees Health and Welfare Benefits was used in lieu of additional appropriations. Health insurance will be discussed in greater detail in the issues section.

Annual Salary Reviews

ASR increases represent adjustments in the salaries of classifications that DBM and departmental staff have jointly targeted for improved compensation to facilitate the State’s competition for qualified applicants in the labor market. The fiscal 2009 allowance contains \$5.9 million in ASRs (\$4.3 million in general funds and \$1.6 million in special funds). There are 488 classifications with a proposed ASR alteration. Of these, 348 represent one-grade increases within the same class, 101 involve the creation of a new class, and 39 reflect distribution of retention bonuses. A one-grade increase equates to a 6.5% salary increase. The majority of the increases are for skilled professionals, such as scientists and engineers. **Exhibit 7** provides further detail of the proposed increases.

Exhibit 7
Annual Salary Review Adjustments by Job Category
Fiscal 2009 Allowance

<u>Agency</u>	<u>Job Classification Category</u>	<u>Dollar Value of Changes</u>			<u>Class Changes Proposed</u>	
		<u>Total Funds</u>	<u>General Funds</u>	<u>Special Funds</u>	<u>Increase One Grade</u>	<u>Create New Class</u>
Office of the Public Defender	Public Defender Intake Specialist	\$201,767	\$201,767	-	2	2
Department of Veterans Affairs	Veteran Service Positions	24,372	24,372	-	-	3
	Cemetery Workers	57,121	57,121	-	-	5
Comptroller of Maryland	Call Center Specialists	198,824	188,798	\$10,026	2	-
	Complex Tax Auditor	201,056	115,218	85,838	4	-
	Tax Consultant	32,892	29,148	3,744	2	-
Maryland State Retirement and Pension Systems	Retirement Benefits Counselor	29,834		29,834	2	-
Department of Health and Mental Hygiene	Medical Care Specialist/Suprv/Mgr	167,598	167,598	-	1	-
	Dentist/Dental Hygienist/Dental Assistant	47,352	32,898	14,454	15	-
Department of Labor, Licensing, and Regulations	Financial Regulation	294,359	249,462	44,897	-	5
Department of State Police and Fire Marshal	Deputy Fire Marshal III	174,784	174,784	-	5	1
	Lead Aviation Maintenance Technician	94,329	29,887	64,442	-	1
	Police Communications Operators, Technicians and Supervisors	125,058	115,519	9,539	4	-
	Civilian Helicopter Pilots	205,358	61,607	143,751	6	-
Statewide	Scientists	2,838,853	2,010,038	828,815	243	-
Statewide	Engineers	867,082	609,841	257,241	11	84
Statewide	Investigator	358,463	274,381	84,082	51	-
Total Reclassifications		\$5,919,102	\$4,342,439	\$1,576,663	348	101

Source: Department of Budget and Management

New and Abolished Positions in the Allowance

A total of 976 new regular FTE positions are proposed for the fiscal 2009 allowance. The majority of the new positions are found in the Maryland Department of Transportation (210), Department of Public Safety and Correctional Services (209), the Judiciary (158), Higher Education (153), and Juvenile Services (75). A narrative explanation of the changes is provided in **Appendix 6**. The majority of the new positions were created either to assist with agency workloads or as contractual conversions.

The fiscal 2009 allowance also contains 77 abolitions. These abolitions are in addition to the 500 vacant positions that were abolished at the January 30, 2008, Board of Public Works meeting in response to actions taken during the 2007 special session.

These changes, which result in a net increase of 398 positions statewide, were distributed through departmental service areas as shown in **Exhibit 8**. As directed, public safety positions were not part of the 500 vacant position deletion process. Further detail on the special session related vacant position deletions is provided in **Appendix 7**.

Exhibit 8
Regular Full-time Equivalent Positions
Fiscal 2008 Working Appropriation to 2009 Allowance

<u>Department</u>	<u>FY 2008 Work Approp.</u>	<u>BPW 500 PIN Abolitions</u>	<u>Other Abolitions</u>	<u>Transfers</u>	<u>New Positions</u>	<u>FY 2009 Allowance</u>	<u>Difference</u>
Legislature	747	0	0	0	0	747	0
Judiciary	3,498	0	0	0	158	3,656	158
Subtotal	4,245	0	0	0	158	4,403	158
Executive Branch							
Legal (Excluding Judiciary) Executive and Administrative Control	1,593	-11	0	0	8	1,590	-3
Financial and Revenue Administration	1,674	-15	-2	13	21	1,689	16
Budget and Management	2,034	-10	0	0	22	2,047	13
Retirement	443	-8	0	0	14	449	6
General Services	205	-2	0	0	0	203	-2
Transportation	645	-7	0	0	0	638	-7
Natural Resources	9,091	-97	0	-1	210	9,204	113
Agriculture	1,357	-11	0	-2	61	1,405	48
Health and Mental Hygiene	447	-10	0	0	0	437	-10
Human Resources	7,638	-143	-17	-2	34	7,510	-128
Labor, Licensing, and Regulation	7,051	-90	0	-6	0	6,955	-96
Public Safety and Correctional Services	1,473	-15	-1	0	4	1,461	-12
MSDE and Other Education	11,642	0	-14	0	209	11,837	195
Housing and Community Development	2,209	-28	-1	-1	3	2,182	-27
Business and Economic Development	316	-5	0	0	0	311	-5
Environment	283	-6	0	-1	0	276	-7
Juvenile Services	945	-13	0	0	0	932	-13
Police and Fire Marshal	2,237	-15	0	0	75	2,297	60
Subtotal	53,753	-500	-41	0	666	53,877	124
Higher Education	23,584	0	-36	0	153	23,700	117
Grand Total	81,582	-500	-77	0	976	81,980	398

MSDE: Maryland State Department of Education

Source: Department of Budget and Management

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Finally, contractuels fell by 251 FTEs statewide, as **Exhibit 9** shows. The greatest change was in the Department of Juvenile Services, which converted 100 contractual FTEs to 75 regular positions.

Exhibit 9
Contractual Full-time Equivalent Positions
Fiscal 2008 Working Appropriation to 2009 Allowance

<u>Department</u>	<u>FY 2008 Work Appropriation</u>	<u>FY 2009 Allowance</u>	<u>Change</u>	<u>Percent Change</u>
Judiciary	377	337	-40	-10.6%
Executive Branch				
Legal (Excluding Judiciary)	112	73	-39	-34.7%
Executive and Administrative Control	164	169	5	2.8%
Financial and Revenue Administration	40	43	3	8.3%
Budget and Management	34	22	-12	-35.3%
Retirement	14	15	1	7.1%
General Services	27	28	0	1.2%
Transportation	183	168	-15	-8.2%
Natural Resources	426	447	20	4.7%
Agriculture	42	49	7	16.4%
Health and Mental Hygiene	477	449	-27	-5.7%
Human Resources	129	128	-2	-1.2%
Labor, Licensing, and Regulation	187	162	-25	-13.2%
Public Safety and Correctional Services	404	402	-2	-0.5%
MSDE and Other Education	245	248	3	1.3%
Housing and Community Development	40	47	7	17.7%
Business and Economic Development	32	33	1	3.0%
Environment	43	48	5	11.8%
Juvenile Services	211	109	-102	-48.2%
Police and Fire Marshal	38	35	-4	-9.2%
Subtotal	2,848	2,674	-174	-6.1%
Higher Education	6,214	6,177	-37	-0.6%
Grand Total	9,438	9,188	-251	-2.7%

MSDE: Maryland State Department of Education

Source: Department of Budget and Management

Executive Pay Plan

Section 12 of the Governor's budget bill describes the Executive Pay Plan for fiscal 2009. There are 180 positions in the fiscal 2009 Executive Pay Plan allowance. A total of 14 positions were added to the fiscal 2009 allowance's ranks at a value of \$1,975,930, while 13 positions, with salaries of \$1,274,866, were deleted. The net change of the Executive Pay Plan, after deletions, additions, and pay adjustments, is an increase of \$1,268,059 from fiscal 2008 to 2009.

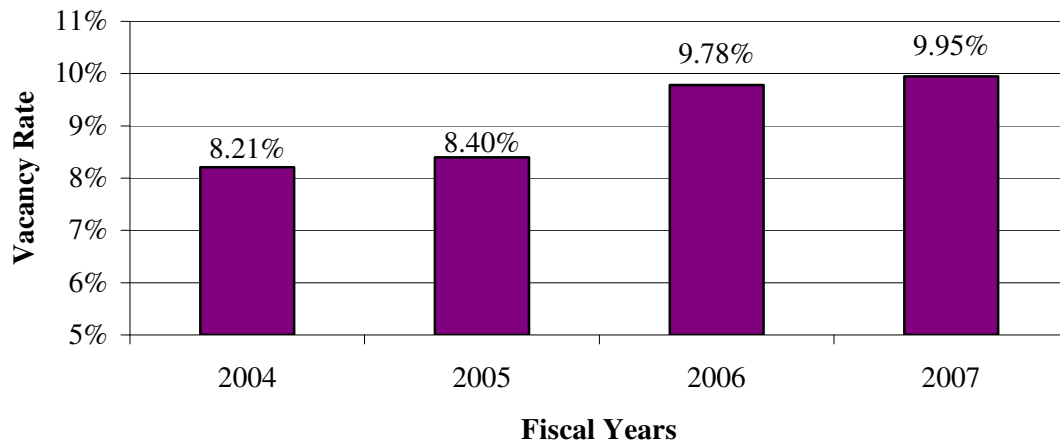
A new pay scale, EX91, is featured in the fiscal 2009 Executive Pay Plan. This pay scale, with a salary range of \$140,000 to \$235,000, only applies to four positions in the plan. Those positions are Chair of the Public Service Commission, Governor's Chief of Staff, Deputy Secretary of the Department of Health and Mental Hygiene, and the Chief Medical Examiner. These positions, with the exception of the newly added Chair of the Public Service Commission, had previously been in the Executive Pay Plan, but the separate pay scale had not been listed on the budget bill document.

Issues

1. Vacancy, Turnover, and the Hiring Freeze

High vacancy levels have been a persistent characteristic of the State workforce. As **Exhibit 10** shows, at least 8% of the authorized Executive Branch positions have been vacant each year since July 2004. The cause of high vacancy rates was discussed in the 2007 session, after which DBM was asked to prepare a report on the appropriateness of agency vacancy rates and its plan for improving agency vacancy rates in the future. The report was intended to address the concern that agencies were not appropriately utilizing existing resources to reduce the elevated incidence of vacant positions. It was submitted to the budget committees in January 2008.

Exhibit 10
Statewide Vacancy Rates
As of July 2, 2007



Source: Department of Budget and Management

DBM Vacancy Rate Report

DBM surveyed agencies with historically high vacancy rates to determine the main reasons managers cite for vacancies going unfilled. The report groups the responses under four categories – Budgetary Limitations, Changes to the Organization/Management Priorities, Noncompetitive Salaries, and Personnel Restrictions.

Budgetary Limitations and Turnover

The first problem area cited as cause for managers not filling positions is budgetary constraints. Limitations mentioned frequently were unanticipated annual leave payouts reducing available funds and the practice of budgeting vacant positions at the base salary limiting potential salary offers. Perhaps first among the managerial concerns was the turnover offset restricting the funding available for salaries.

Turnover, in theory, is a historically determined percentage of employee compensation that the department anticipates will not be utilized after employees separate from State service and before a replacement is hired. As such, it is deducted from the employee compensation calculation that represents full funding for all positions. The use of turnover money for alternate purposes obscures the costs of salaries. DLS, through its budget recommendations, has frequently tried to align the turnover rate with the vacancy rate to limit the funds appropriated for salaries to go to other purposes. This differential was the impetus for the 2007 special section action which resulted in 500 vacant positions being abolished, because they were being funded above the turnover rate.

Several statewide subobjects have been established expressly for monitoring the funds needed and utilized for the purposes mentioned by departmental management. Subobject 0111 exists to record money needed for accrued leave payouts while subobject 0112 has been designated to record funds for hiring above the base salary level and reclassifications that result in higher salaries. Yet, these methods of recordation are underutilized. For example, in the fiscal 2009 allowance, only 33 of 107 major operating units in the Executive Branch have funds budgeted in the subobject for accrued leave payouts. **DBM should comment on its use of these dedicated subobjects in budgeting practice and its plans to improve departmental reporting of costs.**

Changes to the Organization/Management Priorities

The next area noted in the report is the lag in hiring due to changes in a department's management or its priorities. Specifically, longer than normal delays in filling lower level vacancies appear when decision-making executives or managers have themselves left. Similarly, vacancies can often be held open pending decisions about reorganizations of units, so as to avoid layoffs. These are fairly common, but infrequent occurrences that should not be a major root cause of a large number of vacancies. **DBM should discuss the training it provides departments in terms of succession planning.**

Noncompetitive Salaries

Perhaps the most often cited reason for high vacancy rates is the lack of competitiveness in State salaries, which are believed to lag behind county and federal salaries for comparable positions. Statistical proof of the gaps and their magnitude has generally been lacking. As such, DBM was charged with conducting a comparative salary study during the 2006 session. At the time, \$500,000 was allocated to DBM to hire a consultant and deliver a report to the budget committees that provided information on the competitiveness of the salaries and benefits provided to State employees in

non-higher education Executive Branch positions vis-à-vis those offered by local, federal, and contiguous State employers. The report was originally due to the budget committees in June 2007, and an extension was sought that moved the deadline to November 2007. As of February 7, 2008, it has not been delivered. **Thus, DBM is asked to comment on the status of the report and detail any preliminary findings it has available.**

Personnel Restrictions and the Hiring Freeze

One final issue in DBM's survey revolves around the many administrative restrictions placed on departmental hiring. The multi-layered statutory hiring requirements that must be followed, such as standardized qualification minimums, mandatory advertising timeframes, the use of eligible lists, and the points system designed to enhance the hiring of certain applicant groups, such as veterans, all add time to the hiring process. So, when a department identifies a qualified individual through this process, the candidate is hired elsewhere before all of the required steps can be completed. DBM has initiated efforts to address this area, such as streamlining certifications for classifications in great demand, such as nurses and social workers.

The other main restriction frequently referenced is the hiring freeze that is currently in place. Various personnel actions in the past have also been termed hiring freezes, despite denoting very different processes. The State began the hiring freeze in 2001. Although the process has changed, DBM has maintained some sort of hiring freeze since 2001.

Under the current hiring freeze, which began in January 2007, DBM requires all agencies to submit a request for exemption from a generalized rule that prohibits agencies from hiring new personnel at their own discretion. DBM either approves or denies the exception requests. The process, which requires the agency seeking an exemption to justify all hiring efforts, slows down the recruitment process by adding multiple approval steps. And, because hiring freeze decisions are made about positions that have been determined in the budget process to be needed, agencies feel burdened by the extra steps. This reaction is understandable given that the annual budget-making request process is the traditional area where authorization of positions is discussed by DBM and the agencies.

In actuality, the process referred to as a hiring freeze approximates a form of centralized control rather than a hiring freeze. Despite the added inconvenience, there is little evidence to suggest that the current freeze actually prevents hiring. First of all, there are currently more than 100 job classifications that are exempted from the hiring freeze by virtue of their service in high-need, around-the-clock areas. A full list of exempted classes is provided in **Appendix 8**. Moreover, as **Exhibit 11** shows, fewer than 10% of all requests for exemption are denied. DBM states that its denial of an exception request is not meant to be final, such that the position can never be filled, but rather it represents a deferral until a later time. **DBM is asked to comment on the need for centralized control over hiring decisions outside of the budget process and why the department has not requested legislation to formalize its role.**

Exhibit 11
Hiring Freeze Exemption Requests and Actions
January 5, 2007, to January 11, 2008

	<u>Number</u>	<u>Percent</u>
Positions Submitted for Hiring Freeze Exceptions		
Authorized Positions	3,041	73.8%
Contractual Positions	637	15.5%
Temporary Positions	444	10.8%
Total Positions	4,122	
Actions Taken by the Department of Budget and Management		
Exception Granted	3,681	89.3%
Exception Denied	335	8.1%
Decision Pending	106	2.6%
Total	4,122	

Source: Department of Budget and Management

2. Employee and Retiree Health Insurance Balance Used

The employee and retiree health insurance costs for those members that choose to participate in a State subsidized health plan are tracked centrally by DBM. DBM negotiates premium levels with health plan providers and then assigns a portion of the cost to the State – the subsidy – and a portion to the employee or retiree, depending on the type of plan chosen. The total subsidy level is then projected based on enrollment patterns. The projected budgetary contributions required by each department aggregate to meet this total subsidy cost.

In recent years, actuarial inaccuracies in the estimation of the growth of health care costs have resulted in the overcollection of the subsidy and employee contributions needed to fund the actual costs. The overcollection caused the accumulation of large fund balances in the nonbudgeted State Employee Health and Welfare Benefits Fund. Use of the fund balance has lowered budgetary collections for fiscal 2008 and 2009, even as costs increase. **Exhibit 12** details the fund balance levels and its usage, among the many components of the health insurance cost equation.

Exhibit 12
State Employee Health and Welfare Benefits Fund
Fiscal 2007-2009
(\$ in Millions)

	FY 2007	FY 2008	%	FY 2009	%
	<u>Actual</u>	<u>Projected</u>	<u>Growth</u>	<u>Projected</u>	<u>Growth</u>
Beginning Fund Balance	\$193.1	\$305.7		\$194.0	
<u>Payment of Claims</u>					
Medical	\$608.9	\$651.5		\$697.1	
MHSA	11.9	12.7		13.6	
RX	272.7	291.8		312.2	
Dental	34.2	36.6		39.2	
Other	3.3	3.5		3.8	
Normal Payments to Providers	931.0	996.2	7.0%	1,065.9	7.0%
Premium Holiday for Fully Insured				-1.4	
Total Payments to Providers	\$931.0	\$996.2		\$1,067.3	
<u>Receipts</u>					
State Agencies	\$804.3	\$649.2	-19.3%	\$744.2	14.6%
Normal Employee Payroll Deductions	146.3	157.2		154.0	
Fiscal 2009 Employee Holiday	-	-		-6.0	
Employee Total	\$146.3	\$157.2	7.5%	\$148.1	-5.8%
Normal Retiree Payroll Deductions	57.2	57.0		55.7	
Fiscal 2009 Retiree Holiday	-	-		-2.2	
Retiree Total	\$57.2	\$57.0	-0.3%	\$53.6	-6.0%
Rx Rebates, Audit Recoveries, Medicare Part D Reimbursements, and Interest for Fund	35.8	20.9		21.5	
Total Receipts	\$1,043.6	\$884.4		\$967.3	
Fund Balance Accumulation (Usage)	\$112.6	-\$111.8		-\$100.0	
Ending Fund Balance	\$305.7	\$194.0		\$94.0	
Estimated IBNR	-\$74.1	-\$79.3	7.0%	-\$84.8	6.9%
Reserve for Future Provider Payments	\$231.6	\$114.7		\$9.2	

IBNR: Incurred but not received

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

The projected growth figures for fiscal 2008 shown in Exhibit 12 are based on an anticipated 7.0% annual growth figure. In the most recent period for which data are available, approximately \$494.9 million has been expended for active employee and retiree health, dental and prescription claims. This information from the first six months of fiscal 2008, if annualized, would yield a 6.7% overall growth in claims costs. DBM asserts that the latter half of the fiscal year tends to see larger increases in certain cost areas, especially prescription usage because the \$700 co-pay limit is normally exceeded after numerous months of treatment, suggesting that a 7% growth factor is reasonable. Moreover, recent national studies, such as the 2007 Kaiser Family Foundation Annual Employer Health Benefits Survey, indicate that health insurance premiums increased by 6.6% on average for state and local governments in 2007.

Fund Balance Usage

The problem of overcollection was addressed in the 2007 session by removing the portion of the health insurance funding, designated in subobject 0154, from agency budgets. The fund balance was utilized to bridge the \$111.7 million gap between the health insurance costs the State faced (\$996.2 million) and the reduced budgeted figure (\$884.5 million) this action anticipated. The usage of these accumulated funds, however, did not do away with the large fund balance because previous overestimations had caused it to grow to \$305.7 million.

As such, during the 2007 special session, a preemptive action was taken to prompt a near-complete utilization of the fund balance. This move sought to bring budgeting more in line with actual costs, as total State funding increases from \$649.4 million to \$744.2 million, and to utilize the fund balance as much as possible. There was approximately \$114.7 million in utilizable reserve funds (a portion must be retained to settle claims that are incurred in one fiscal year but will not be paid until the next) at the end of fiscal 2008. The fiscal 2009 allowance uses \$100 million of this figure to reduce necessary budgeted amounts.

Employee Premium Pay Holiday

Moreover, the special session action sought to compensate employees and retirees, whose payroll deductions had contributed to approximately 20% of the excess fund balance, for their share of the overcollection. Redistribution of the employee portion was realized, in part, through a pay holiday mechanism whereby employee and retiree enrollees will have an extra pay period during which their health insurance premiums will not be deducted from their paychecks. The allowance directs the usage of \$8.1 million to facilitate the pay holiday.

Ending Fund Balance

The sum of these actions would leave a projected \$9.2 million in the fund at the end of fiscal 2009. This low level, while more appropriate than the high levels of prior years, means that actuarial projections for the fiscal 2010 budgeting cycle need to be more accurate than past efforts because there will be little or no cushion to rely on if health insurance costs are higher than expected. It also means that rising costs will be fully represented in fiscal 2010, after several years during which the budgeting figure has been well over/under the actual cost result.

Therefore, DBM is asked to discuss its strategy for health insurance cost projections in fiscal 2009 and 2010. It is further recommended that DBM provide DLS with monthly reporting of health insurance premium payment information and payroll deduction figures for State employees and retirees to facilitate closer tracking of cost changes.

3. Other Post Employment Benefits Funding

Chapter 466 of 2004 established the Other Post Employment Health Benefits (OPEB) Trust Fund as an investment vehicle to help defray the large long-term liability created by retiree participation in the State's subsidized health insurance program. The fund will be managed by the State Retirement Agency as a tax-exempt trust. The Internal Revenue Service approval of the trust structure was received on January 14, 2008.

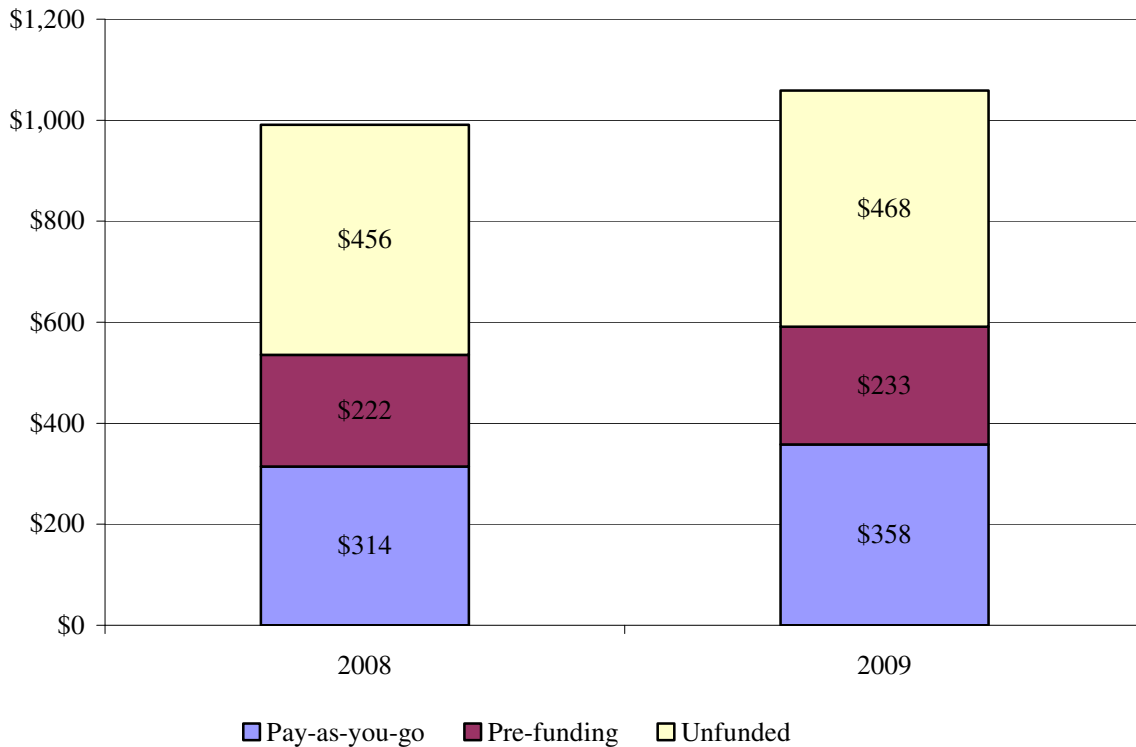
The liabilities that the account's funds are intended to offset have been calculated by Buck Consulting to be an estimated \$15.2 billion as of July 1, 2007. That figure falls to as low as \$9.2 billion when the liability is pre-funded by monies set aside to earn investment returns. To decrease the liability from \$15.2 billion to \$9.2 billion, the State would need to invest the entirety of what is known as the Annual Required Contribution (ARC) in the fund each year. The ARC is composed of two parts:

- the present value of retiree health benefits the State is becoming liable for in the current year through employee service; and
- the amortization of the historically accumulated unfunded health insurance liability for active employees, current retirees, and former employees in deferred status.

For fiscal 2008, the ARC was \$991 million. The State, however, only directed \$535.0 million to the ARC, leaving \$455.5 million unfunded. Funding came from \$314.0 million in pay-as-you-go expenditures for current retiree health subsidies, \$200.0 million that had been set aside in the fiscal 2007 and 2008 budget bills, and \$21.5 million from the subsidy received annually from the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The fiscal 2009 allowance collects \$210.0 million – approximately \$131.0 million of which are general funds – from all departmental budgets through a new OPEB subobject, while Medicare revenues are projected to grow to \$23.0 million. However, because health care costs are rising and the retiree pool is expanding, pay-as-you-go expenditures should increase to \$358.0 million, meaning that the unfunded portion will also grow, reaching \$468.0 million. These relationships are shown graphically in **Exhibit 13**.

Given the large gaps between present funding levels and those needed to deter the growth of the long-term liability, DBM is asked to comment on its strategy for fully funding the ARC.

Exhibit 13
Other Post Employment Benefits Funding by Source
Fiscal 2008 and 2009
(\$ in Millions)



Source: Buck Consulting; Governor’s Budget Books, Fiscal 2009; Department of Legislative Services

The Blue Ribbon Commission to Study Retiree Health Care Funding Options, meanwhile, continues with its dual charge of reviewing the current health care benefit levels for State employees and retirees and compiling comparative best practices data on creative alternative mechanisms to fund the State’s OPEB liability. The commission’s findings are currently due to be reported by December 31, 2008. However, SB 859/HB 1233 of 2008 would, if enacted, extend the report’s due date by one year to December 31, 2009, while likewise extending the commission’s termination date by a year until July 1, 2010. Additionally, beginning in October 2009, the State Retirement Agency’s Board of Trustees will publish an annual report describing the trust fund’s financial transactions and fund balance for the preceding fiscal year.

4. Injured Workers' Insurance Fund Administrative Charges

A recent legislative audit of the State Treasurer's Office contained findings related to the State's relationship with its third party workers' compensation claims administrator, the Injured Workers' Insurance Fund (IWIF). The State is self-insured, thus it pays the actual value of claims, as reported by IWIF. The audit found that the Treasurer's Office had not been actively monitoring the service agreement to ensure that IWIF had been properly charging the State for its services. This issue will detail the magnitude of the accounts and expenditures involved.

Charges

The IWIF contract is intended to be non-profit, as IWIF only charges the actual administrative cost it incurs for its services to the State, as it does to all of its clients. This cost is arrived at through a series of interlinking formulas. **Exhibit 14** shows IWIF's total claims portfolio and the State's portion thereof over the past three fiscal years. The State represented 20.56% of all IWIF claims in fiscal 2007. This percentage is utilized to calculate the State's administrative fee, which is shown in detail in **Appendix 9**, through the following steps:

- IWIF backs out the costs it does not need to undergo, such as marketing, underwriting, *etc.*, because of the special relationship it maintains with the State from its total General and Administrative (G&A) charges for the year.
- It then multiplies the State's share of its total claims by the G&A charge.
- Allotments for the State's share of Depreciation, Workers' Compensation Commission expense, and Loss Adjustment Expense are added to the total.
- Finally, the costs to run the State Employees Risk Management Administration's workplace safety program are added to the total to finalize the State Administrative Fee.

**Exhibit 14
Injured Workers' Insurance Fund
Total Claims Paid and State's Percentage
Fiscal 2005-2007**

	<u>Regular</u>	<u>Beth. Steel</u>	<u>State</u>	<u>Total</u>
Fiscal 2005				
Gross Paid Losses	\$152,328,046	\$4,066,255	\$46,415,274	\$202,809,575
Assumed Claims Paid	6,266,704	0	0	6,266,704
Reimbursements	-2,468,523	-2,062	-1,165,593	-3,636,178
Reinsurance Recoveries	-328,950	0	-159,138	-488,088
Net Paid Losses	\$155,797,277	\$4,064,193	\$45,090,543	\$204,952,013
Percentage of Total	76.02%	1.98%	22.00%	
Fiscal 2006				
Gross Paid Losses	\$172,777,095	\$3,003,569	\$49,464,338	\$225,245,002
Assumed Claims Paid	5,814,079	0	0	5,814,079
Reimbursements	-3,295,011	-4,786	-1,409,231	-4,709,028
Reinsurance Recoveries	-1,764,126	0	-53,224	-1,817,350
Net Paid Losses	\$173,532,037	\$2,998,783	\$48,001,883	\$224,532,703
Percentage of Total	77.29%	1.34%	21.38%	
Fiscal 2007				
Gross Paid Losses	\$176,439,086	\$2,861,940	\$48,404,600	\$227,705,626
Assumed Claims Paid	6,637,116	0	0	6,637,116
Reimbursements	-2,754,729	-1,074	-1,367,875	-4,123,678
Reinsurance Recoveries	-2,388,744	0	-259,040	-2,647,784
Net Paid Losses	\$177,932,729	\$2,860,866	\$46,777,685	\$227,571,280
Percentage of Total	78.19%	1.26%	20.56%	

Source: Injured Workers' Insurance Fund

This fee is then added to the amounts of the self-insured claims that are paid, along with any monies allocated to pay down the State's long-term workers' compensation liability and reinsurance charges, to arrive at the assessment. DBM then uses actual employee workers' compensation claim filings as the basis for its distribution of the total charge to the various State agencies.

Use of Funds

Functionally, the aggregated assessment collected from the departments is placed into two bank accounts entrusted to IWIF: one for the operating expenses related to annual claims; and another to pre-fund the long-term liability. DBM deposits the entire appropriation for these two purposes into the appropriate account at the beginning of the fiscal year. IWIF, in turn, pays the State claims it receives on a monthly basis and then draws a reimbursement for the claims it has paid from the balance in the operating account. It sends a record of these transactions to DBM and DLS. The figures as they relate to the accounts maintained by IWIF are encapsulated in **Exhibit 15**.

Exhibit 15
Injured Workers' Insurance Fund Claims Operating Account #78721
Fiscal 2005-2007

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Balance at 6/30 beginning of the year	\$7,603,477	\$6,014,233	\$3,280,643
Source			
Account Funding	\$54,121,193	\$55,459,333	\$64,694,511
Balance Transfers (SERMA)	180,936	-	-
Interest Income (Before Bank Fees)	445,265	1,089,022	1,830,657
Total Source	54,747,394	56,548,355	66,525,168
Use			
Claims Paid (Net of Reimbursements)	45,090,543	48,001,883	46,777,685
Reinsurance	2,054,058	1,913,811	1,558,810
Claim Cost Allocation	9,081,623	9,122,897	9,346,672
Bank Fees	5,000	5,000	5,000
	56,231,223	59,043,592	57,688,167
Reconciliation			
June Activity Cash Transfer in Transit	4,950,281	4,711,927	5,008,768
June Cash Transfer	-5,055,696	-4,950,281	-4,711,927
Bank Balance at 6/30 End-of-year	\$6,014,233	\$3,280,643	\$12,414,484

SERMA: State Employees Risk Management Administration

Source: Injured Workers' Insurance Fund

Long-term Liability

Exhibit 16 shows the current accounting of the account dedicated for pre-funding of the State’s long-term workers’ compensation liability. As of June 30, 2007, it contained \$26.1 million. The liability for which these funds are intended to pay was estimated by Deloitte Consulting to be \$252.9 million at the end of fiscal 2007. The fiscal 2009 allowance provides \$5.0 million to be deposited into this account.

Exhibit 16 Injured Workers’ Insurance Fund Long-term Liability Account Levels Fiscal 2005-2007

	<u>Unfunded Liability Account # 78722</u>
Balance at 6/30/04	\$4,188,004
Fiscal 2005 Transactions	
Interest Income	94,009
Unrealized Gain/Loss on Security Holdings	-3,440
Balance at 6/30/05	\$4,278,573
Fiscal 2006 Transactions	
Account Funding	10,000,000
Interest Income	513,485
Realized Gain/Loss on Disposals	0
Unrealized Gain/Loss on Security Holdings	3,750
Bank Balance at 6/30/06	\$14,795,808
Fiscal 2007 Transactions	
Account Funding	10,000,000
Interest Income	1,275,429
Unrealized Gain/Loss on Security Holdings	10,940
State of Maryland, June 30, 2007 Book Balance	\$26,082,177
Estimated Long-term Liability as of June 2007	\$252,869,000
Unfunded Liability as of June 2007	\$226,786,823

Source: Injured Workers’ Insurance Fund; Deloitte Consulting

Recommended Actions

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

. provided that \$1,000,000 of this appropriation may not be expended until the Department of Budget and Management delivers the comprehensive salary and benefits salary it was to commission in response to 2006 committee narrative.

Explanation: The department has yet to deliver a compensation study comparing State salaries in the Executive Branch to those offered by local and federal governmental employers that was originally due to the budget committees by June 30, 2007.

Information Request	Author	Due Date
Comparative Compensation Study	Department of Budget and Management	As needed

2. Adopt the following narrative:

Monthly Health Insurance Cost and Payment Reporting: The committees request that the Department of Budget and Management submit monthly reports to the Department of Legislative Services concerning the employees’ and retirees’ health insurance and prescription drug programs. The reports shall include the information specified below.

- (1) Monthly “120” reports detailing payroll contributions toward prescription, dental, and health insurance payments made by:
 - (a) the State for its subsidy;
 - (b) employees;
 - (c) retirees; and
 - (d) subobject 0153 agency transfers.
- (2) Monthly reports detailing costs paid to vendors for health insurance, dental insurance, and prescriptions, by plan category for:
 - (a) active employees;
 - (b) retirees;
 - (c) satellite members; and
 - (d) direct Pay members.

Information Request	Author	Due Date
Health Insurance Cost and Payment Reports	Department of Budget and Management	Monthly

3. Adopt the following narrative:

Semi-Annual Health Insurance Cost and Payment Reporting: The committees request that the Department of Budget and Management submit reports to the Department of Legislative Services and the budget committees concerning the employees’ and retirees’ health insurance and prescription drug programs by September 1, 2008, and February 1, 2009. The report due on September 1, 2008, shall provide the requested information for the entire fiscal year ending June 30, 2008, and the report due on February 1, 2009, shall provide the requested information for the first six months of fiscal 2009 as of January 1, 2009. The reports shall include the information specified below.

- (1) A reporting of all health and dental maintenance organizations, preferred provider, and point-of-service plan options that shows:
 - (a) premiums to be paid for all categories of membership; and
 - (b) enrollment figures for all categories of membership.
- (2) A reporting at the start and mid-point of the fiscal year of the prescription drug program that includes year-to-date data on:
 - (a) total expenditures;
 - (b) the number of prescriptions filled;
 - (c) total out-of-pocket costs paid for by members;
 - (d) total number of families reaching the \$700 out-of-pocket payment cap; and
 - (e) total out-of-pocket payments made toward the \$700 cap.
- (3) The fund balance remaining in the State Employees and Retirees Health and Welfare Benefits Fund.

Data for the same periods in fiscal 2007 shall also be provided.

Information Request	Author	Due Date
Semi-Annual Health Insurance Cost and Payment Reporting	Department of Budget and Management	September 15, 2008 February 1, 2009

4. Add the following section:

Section XX The “Rule of 50”

SECTION XX. AND BE IT FURTHER ENACTED, That the Board of Public Works, 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 50 positions in excess of the total number of authorized State positions on July 1, 2008, 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 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 50 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. It is further provided that the limit of 50 also does not apply to up to 100 new full-time equivalent regular positions necessary to staff Victor Cullen Academy as a State-owned facility in fiscal 2009. Notwithstanding anything contained in this section, the Board of Public Works may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of men, which are necessary to protect the health and safety of the people of Maryland.

The Board of Public Works may authorize the creation of additional positions within the Executive Branch provided that 1.25 full-time equivalent contractual positions are abolished for each regular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in a contractual position for at least two years. Any position created by this method shall not be counted within the limitation of 50 under this section.

In addition to any positions created within the limitation of 50 under this section, the Board of Public Works may authorize the creation of no more than 150 positions within the Department of Human Resources to provide services purchased by Local Management Boards through contracts with local departments of social services. If a Local Management Board terminates a contract with a local department of social services during the fiscal year, all the positions created by the Board of Public Works to provide services under the terms of that contract shall be abolished.

In addition to any positions created within the limitation of 50 under this section, the Board of Public Works may authorize the creation of positions within the Department of Human Resources to provide services funded by grants from sources other than Local Management Boards. If any grant entity terminates a grant award with a local department of social services or other unit during the fiscal year, all positions created by the Board of Public

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Works to provide services under the terms of the grant award shall be abolished. The employee contracts for these positions shall explicitly state that the positions are abolished at the termination of the grant award. General funds or any other State funds shall not be used to pay any of the salaries or benefits for these positions. Furthermore, the Department of Human Resources must provide a summary to the budget committees by December 1 of each year on the number of positions created under this section.

The numerical limitation on the creation of positions by the Board of Public Works established in this section shall 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, 2009, the status of positions created with non-State funding sources during fiscal 2005, 2006, 2007, 2008, and 2009 under this provision as remaining authorized or abolished due to the discontinuation of funds.

Explanation: This annual language, the “Rule of 50”, limits the number of positions that may be added after the beginning of the fiscal year to 50 and provides for exceptions to the limit.

Information Request	Authors	Due Dates
Certification of the status of positions created with non-State funding sources during fiscal 2005, 2006, 2007, 2008, and 2009	Department of Budget and Management	June 30, 2009
Positions created within the Department of Human Resources with non-Local Management Board grants	Department of Human Resources	December 1, 2008

5. Add the following section:

Section XX Position Reporting Requirement

SECTION XX. AND BE IT FURTHER ENACTED, That immediately following the close of fiscal 2008, 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 2008 and on the first day of fiscal 2009. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2008 and 2009 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 during fiscal 2009 a report for the budget committees upon creation of regular FTE positions through Board of Public Works action and upon transfer or abolition of positions. This report shall also be provided as an appendix in the fiscal 2010 Governor’s Budget Books. It shall note, at the program level:

- (1) where regular FTE positions have been abolished;
- (2) where regular FTE positions have been created;
- (3) from where and to where regular FTE positions have been transferred; and
- (4) where any other adjustments have been made.

Provision of contractual FTE position information in the same fashion as reported in the appendices of the fiscal 2009 Governor’s budget books shall also be provided.

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

Information Request	Author	Due Date
Total number of FTEs on June 30 and July 1, 2008	Department of Budget and Management	July 14, 2008
Report on the creation, transfer, or abolition of regular positions	Department of Budget and Management	As needed

6. Add the following section:

Section XX Executive Pay Plan Salaries

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

- (1) a report listing the grade, salary, title, and incumbent of each position in the Executive Pay Plan (EPP) as of July 1, 2008, October 1, 2008, January 1, 2009, and April 1, 2009; and
- (2) detail on any lump-sum increases given to employees paid on the EPP subsequent to the previous quarterly report.

Flat rate employees on the EPP shall be included in these reports. Each position in the report shall be assigned a unique identifier, which describes the program to which the position is assigned for budget purposes and corresponds to the manner of identification of positions within the budget data provided annually to DLS’ Office of Policy Analysis.

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

Information Request	Authors	Due Date
Report of all Executive Pay Plan positions	Department of Budget and Management Maryland Department of Transportation	July 15, 2008 October 15, 2008 January 15, 2009 April 15, 2009

7. Add the following section:

Section XX Positions Abolished in the Budget

SECTION XX. AND BE IT FURTHER ENACTED, That no position identification number assigned to a position abolished in this budget may be reassigned to a job or function different from that to which it was assigned when the budget was submitted to the General Assembly. Incumbents in positions abolished may continue State employment in another position.

Explanation: This language prevents employees from being moved into positions abolished in the budget. It also allows that incumbents in abolished positions may continue State employment in another position.

8. Add the following section:

Section XX Accounting of Health Plan 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 2010 Governor’s budget books an accounting of the fiscal 2008 actual, fiscal 2009 working appropriation, and fiscal 2010 estimated revenues and expenditures associated with the employees’ and retirees’ health plan. This accounting shall include:

- (1) any health plan receipts received from State agencies, employees, and retirees, as well as prescription rebates or recoveries, or audit and other miscellaneous recoveries;
- (2) any premium, capitated, or claims expenditures paid on behalf of State employees and retirees for any health, mental health, dental, or prescription plan, as well as any administrative costs not covered by these plans; and
- (3) any balance remaining and held in reserve for future provider payments.

Explanation: This language provides an accounting of the health plan revenues received and expenditures made on behalf of State employees and retirees.

Information Request	Author	Due Date
Accounting of the employee and retiree health plan revenues and expenditures	Department of Budget and Management	With submission of Governor’s fiscal 2010 budget books

9. Add the following section:

Section XX Other Post Employment Benefit Expenditures

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management shall create a statewide subobject to provide for budgeting in all fund accounts in individual agency budgets for Other Post Employment Benefits expenditures.

Explanation: This section provides for the establishment of a subobject to capture Other Post Employment Benefits expenditures.

Updates

1. Health Vendor Review

Narrative from the 2007 *Joint Chairmen's Report* required DBM to conduct an audit of State health plan vendors in response to questions raised regarding vendor underperformance of contract standards and departmental failures to recover liquidated damages associated with noncompliance of contract guarantees. The audit was to cover services by vendors delivered between January 1, 2005, and June 30, 2006. In November 2007, DBM requested an extension for delivery of the report until March 2008 because it would not conclude the required audits until January 31, 2008. DLS will provide further information on the report's findings once it is provided.

2. Special Appointments Information Being Gathered

During the 2005 interim, the Legislative Policy Committee appointed a Special Committee on State Employee Rights and Protections to examine numerous matters regarding terminations and separations of at-will employees. In fall 2006, the committee concluded its proceedings and issued a final report. Chapter 592 of 2007, as part of the response to the concerns raised by the report, directs DBM to include information documenting the designation of special appointment positions with regard to political affiliation, belief, or opinion, and to provide a tally of all special appointment positions in its Annual Report of State Personnel.

DBM publishes the annual report after the closeout of each fiscal year. Fiscal 2007 ended June 30, 2007, before the law requiring DBM to collect this information had come into effect. The special appointment data for fiscal 2008 is currently being gathered and will appear in DBM's fiscal 2008 annual report, which should be delivered October 1, 2008.

Current and Prior Year Budgets

Current and Prior Year Budgets DBM – Office of Personnel Services and Benefits (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$103,679	\$14,938	\$0	\$3,903	\$122,520
Deficiency Appropriation	4,077	0	0	0	4,077
Budget Amendments	-95,360	-12,857	0	2,346	-105,871
Reversions and Cancellations	-2,182	-2,081	0	-1,355	-5,618
Actual Expenditures	\$10,214	\$0	\$0	\$4,894	\$15,108
Fiscal 2008					
Legislative Appropriation	\$68,251	\$14,651	\$0	\$5,818	\$88,720
Cost Containment	-750	0	0	0	-750
Budget Amendments	-59,605	-13,394	0	1,770	-71,229
Working Appropriation	\$7,896	\$1,257	\$0	\$7,588	\$16,741

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

Fiscal 2007

Deficiencies

- A deficiency appropriation for \$4,076,940 in general funds was provided to fund a reimbursement to the federal government for the federal portion of funds transferred from the Injured Workers' Insurance Fund to the general fund in fiscal 2003.

Amendments

- The State employee 2% cost-of-living adjustment was centrally budgeted in the Department of Budget and Management. Once transferred to various State agencies, general funds decreased by a net \$55,736,210, and special funds decreased by \$12,733,592.
- Funding for Annual Salary Review upgrades, reclassifications, performance bonuses, and other enhancements was likewise centrally budgeted in DBM. General funds decreased by \$37,967,597, and special funds decreased by \$723,394 through its reallocation to various State agencies.
- General funds decreased by \$1,800,000 to provide the Maryland State Department of Education with emergency funding to support the Maryland Zoo. A \$600,000 increase in special funds was later received to reimburse a portion of the transfer.
- General funds increased by \$500,000 through transfers from various State agencies to fund a comprehensive salary study required by Section 40 of the fiscal 2007 budget bill.
- An amendment during the fiscal year closeout process that realigned funds within DBM in accordance with actual expenditures decreased general funds by \$300,000.
- Chapter 62 of 2006 directed DBM to transfer funds to the Executive Department – Boards, Commissions, and Offices, for the State Labor Relations Board, resulting in a \$56,519 decrease in general funds and a \$53,976 decrease in reimbursable funds.
- Reimbursable funds increased through amendment by \$2,400,000 to allow for the inclusion of expenditures into the budget that had previously been paid through the health program claims process, to fund a new contract for claims verification to resolve an audit issue, and for other purposes.

Reversions and Cancellations

- There was a general fund reversion totaling \$2,182,187. Approximately \$1.73 million corresponds to statewide expenses, of which \$1,062,500 of the reverted funds were for unspent correctional officer retention bonuses, \$374,996 for correctional officer overtime, and \$293,779 for unutilized cost-of-living adjustment and annual salary review monies. Inside the personnel programs, \$150,000 was reverted from the statewide salary survey, \$43,500 came from a variety of small contracts, and the balance represents excess funds from vacancies.
- There was a special fund cancellation of \$2,080,618, of which \$1,480,618 represented unused reclassification funding, and \$600,000 cancelled the reimbursement DBM had received to facilitate the emergency zoo funding action.
- \$1,354,859 in reimbursable fund expenditures was also cancelled. The largest cancellations were \$456,000 that went unspent due to the postponement of an intergovernmental Medicare data sharing contract until fiscal 2008, \$345,855 that was unused because of the delayed awarding of auditing contracts, \$186,000 that was saved through the economizing of communications materials, \$131,047 that was unutilized because actuarial contract expenditures were lower than anticipated, and \$127,769 that represented reimbursements received by DBM for drug tests conducted for potential State hires.

Fiscal 2008

- General funds decreased by \$750,000 as part of July 2007 Board of Public Works cost containment actions. The decrease corrected an overestimation of the cost of the statewide cost-of-living adjustment for fiscal 2008.
- The fiscal 2008 State employee 2% cost-of-living adjustment was transferred to various State agencies after being centrally budgeted in DBM. The transfer resulted in general funds decreasing by a net \$59,605,323 and special funds decreasing by \$13,393,758.
- There was a reimbursable fund amendment that increased these funds by \$1,770,000. The amendment funded \$135,000 in agency salary enhancements, \$273,000 for office refurbishment, and \$1,362,000 for the agency's Interactive Voice Response (IVR) system and related vendor web-enrollment spending.

**Object/Fund Difference Report
DBM – Office of Personnel Services and Benefits**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	121.00	119.00	118.00	-1.00	-0.8%
02 Contractual	0.10	1.10	1.10	0	0%
Total Positions	121.10	120.10	119.10	-1.00	-0.8%
Objects					
01 Salaries and Wages	\$ 11,738,800	\$ 11,388,251	\$ 95,392,838	\$ 84,004,587	737.6%
02 Technical and Spec. Fees	99,327	210,150	210,150	0	0%
03 Communication	108,816	253,391	193,665	-59,726	-23.6%
04 Travel	28,946	31,500	23,500	-8,000	-25.4%
07 Motor Vehicles	0	0	147,600	147,600	N/A
08 Contractual Services	3,068,427	4,492,907	53,367,706	48,874,799	1087.8%
09 Supplies and Materials	11,453	25,000	20,000	-5,000	-20.0%
10 Equip. – Replacement	11,821	291,400	9,750	-281,650	-96.7%
11 Equip. – Additional	0	0	2,080,000	2,080,000	N/A
13 Fixed Charges	40,151	47,675	42,521	-5,154	-10.8%
Total Objects	\$ 15,107,741	\$ 16,740,274	\$ 151,487,730	\$ 134,747,456	804.9%
Funds					
01 General Fund	\$ 10,213,681	\$ 7,895,347	\$ 78,435,088	\$ 70,539,741	893.4%
03 Special Fund	0	1,257,258	66,710,896	65,453,638	5206.1%
09 Reimbursable Fund	4,894,060	7,587,669	6,341,746	-1,245,923	-16.4%
Total Funds	\$ 15,107,741	\$ 16,740,274	\$ 151,487,730	\$ 134,747,456	804.9%

Note: The fiscal 2008 appropriation does not include deficiencies.

Fiscal Summary
DBM – Office of Personnel Services and Benefits

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 Executive Direction	\$ 1,665,882	\$ 1,616,917	\$ 1,726,819	\$ 109,902	6.8%
02 Division Of Employee Benefits	4,771,830	7,437,669	6,191,746	-1,245,923	-16.8%
04 Division of Employee Relations	883,023	1,079,943	904,119	-175,824	-16.3%
06 Division of Salary Administration and Classification	1,495,587	1,276,509	1,350,147	73,638	5.8%
07 Division of Recruitment and Examination	2,114,479	2,275,295	2,440,532	165,237	7.3%
08 Statewide Expenses	4,176,940	3,053,941	138,874,367	135,820,426	4447.4%
Total Expenditures	\$ 15,107,741	\$ 16,740,274	\$ 151,487,730	\$ 134,747,456	804.9%
General Fund	\$ 10,213,681	\$ 7,895,347	\$ 78,435,088	\$ 70,539,741	893.4%
Special Fund	0	1,257,258	66,710,896	65,453,638	5206.1%
Total Appropriations	\$ 10,213,681	\$ 9,152,605	\$ 145,145,984	\$ 135,993,379	1485.8%
Reimbursable Fund	\$ 4,894,060	\$ 7,587,669	\$ 6,341,746	-\$ 1,245,923	-16.4%
Total Funds	\$ 15,107,741	\$ 16,740,274	\$ 151,487,730	\$ 134,747,456	804.9%

Note: The fiscal 2008 appropriation does not include deficiencies.

General Salary Increases, Increments, and Other Compensation Fiscal 2000-2008

Fiscal Year	State Employees		Additional Police, Natural Resources Police, and Park Ranger Salary Increases	Maximum Deferred Compensation Match by State	Pay-for-Performance Bonuses	Annual Salary Review Reclassifications	Other
	General Salary Increase	Increments					
2000		On time		\$600	Outstanding: \$1,000 Exceeds standards: \$500		Salary schedules expand from 6 to 16 steps on 7/1/99 ¹
	7/1/1999		4.0%				
	1/1/2000						
2001		On time		\$600	Outstanding: \$1,000 Exceeds standards: \$500		Standard salary schedule expands by 4 grades on 7/1/00 ² and a new physicians' schedule is developed.
	11/15/2000		4.0%			Yes ³	
	1/1/2001						
2002		On time		\$600	Outstanding: \$500 Exceeds standards: \$250		Salary schedules expand from 16 to 18 steps on 7/1/01 ¹
	7/1/2001		\$850			Yes ⁴	
	1/1/2002		4.0%				
2003		None	None	\$500	None	None	
2004		None	None	None	None	None	
2005	7/1/2004	\$752 ⁵	On time	None	None	Yes ⁶	
2006	7/1/2005	1.5%	On time	\$400	None	Yes ⁷	
2007	7/1/2006	\$900, \$1,400, or 2% ⁸	On time	\$600	None	Yes ⁹	2 steps on standard salary schedule; 1 step on the physician's salary schedule
2008	7/1/2007	2.0%	On time	\$600	None	None	

¹The executive pay plan (EPP) and physicians' schedules did not expand.

²The standard salary schedule expanded to accommodate management service positions moved off the executive salary schedule.

³The following classifications were given upgrades effective January 1, 2001, most of which were in the 1 to 2 grade range: clerical workers, social workers in criminal justice and health services, computer operations and related classifications, professional fiscal and related classifications, election workers (local funds), and assistant superintendents at State hospitals.

⁴Three groups of employees received reclassifications in fiscal 2002: nurses, institutional educators, and addictions counselors who work in local health departments and nonprofits. Statewide increases went to nurse classifications through two grade increases, one on July 1, 2001, and one on January 1, 2002. Institutional educators received increases through an adjustment to their pay plan.

⁵The fiscal 2005 increase of \$752 effectively represented a 1.6% general salary increase.

⁶The following classifications are provided upgrades: public defenders, social services attorneys, assistant general counsels (human relations), assistant State prosecutors, direct service workers in the Department of Juvenile Services, property assessors, lab scientists, administrative law judges, and banking financial examiners.

⁷The fiscal 2006 annual salary review provides a one-grade salary adjustment for the Deputy State Fire Marshal classification series.

⁸Fiscal 2007 general salary increases are \$900 for employees making less than \$45,000 at the end of fiscal 2006, \$1,400 for employees making \$70,000 or more, and 2% for those remaining.

⁹The fiscal 2007 annual salary review provides reclassifications and other enhancements for: correctional officers and correctional support personnel, registered nurses, licensed practical nurses, direct care assistants, forensic scientists, institutional educators, administrative law judges, and teachers aides.

**Salary Grades in the Standard Salary Schedule
Fiscal 2008 Working Appropriation**

<u>Grade</u>	<u>Minimum Salary</u>	<u>Average Salary</u>	<u>Maximum Salary</u>	<u>Filled FTEs</u>
5	\$20,772	\$24,860	\$32,014	704.35
6	22,007	26,756	34,035	498.50
7	23,329	29,345	36,203	1,639.35
8	24,744	30,986	38,516	1,277.37
9	26,257	33,394	40,996	1,917.40
10	27,876	35,112	43,647	1,748.80
11	29,607	37,637	46,490	3,008.15
12	31,461	37,919	49,571	4,202.37
13	33,444	42,033	52,886	6,397.26
14	35,568	45,289	56,438	4,102.45
15	37,837	49,537	60,222	2,586.90
16	40,268	52,826	64,282	3,933.50
17	42,867	57,525	68,626	2,828.20
18	45,650	62,434	73,259	1,636.55
19	48,664	66,888	78,130	1,137.00
20	51,911	68,971	83,350	811.00
21	55,388	74,797	88,927	609.00
22	59,107	82,431	94,909	816.35
23	63,087	90,025	101,301	295.00
24	67,345	95,078	108,134	288.00
25	71,902	102,363	115,442	82.50
26	76,699	113,717	123,277	65.00
Total		\$46,486		40,585

Source: Department of Budget and Management

The State Workforce: New Positions in 2009 Allowance

Executive Branch

Maryland Department of Transportation: Of the total, 71 positions are for the expansion of core Maryland Transit Administration bus services, 30 represent State Highway Administration facility maintenance techs for which contractual services will no longer be used, 22 are transit safety and security-related positions, 21 are for capital project management engineering and procurement, 14 represent contractual conversions of long-time transit employees, and 10 positions will work in the expansion of the Maryland Rail Commuter (MARC) train service.	210
Department of Public Safety and Correctional Services: The 156 new Division of Correction positions will staff the opening of the final two housing units at the North Branch Correctional Institution in Cumberland, Maryland. They are primarily new correctional officer positions but also include a small number of social work, psychologist, and administrative support staff positions. Also included is a net increase of 53 parole and probation agents and supervisors to support the newly created High Risk Offender Unit within the Division of Parole and Probation.	209
Department of Juvenile Services: All 75 positions are contractual conversions related to 3 facilities: Baltimore City Juvenile Justice Center (30), Cheltenham (30), and Hickey (15).	75
Department of Natural Resources: Fifty-eight positions are for the Maryland Park Service, 39 of which are contractual conversions to return the Department of Natural Resources to its full complement of positions before the consolidation of Maryland Park Service and Natural Resource Police law enforcement functions, and 19 are for additional park services that are funded by a special session action that directed a portion of Program Open Space dollars toward operation of State forests and parks. The remaining 3 are for Fisheries Service enhancements.	61
Department of Health and Mental Hygiene: Twenty positions are to bolster the Health Occupations Boards and Commissions, 11 of which are for the Board of Nurses while 5 represent Board of Pharmacy inspectors. The ranks of the Developmental Disabilities Licensure surveyors increase by 5 positions as well.	34
Financial and Revenue Administration: Sixteen new revenue examiners and 6 auditors have been created as part of the Comptroller’s Tax Gap Initiative to increase compliance with tax laws.	22
Executive and Administrative Agencies: The largest single agency increases here are 7 positions for the Maryland Energy Administration’s EmPOWER Maryland Initiative and 6 to increase the State’s Veterans Service Officers group.	21
Other Agencies	34
Subtotal Executive Branch	666
The Judiciary: The positions are primarily criminal, civil, traffic, and juvenile clerk positions (100.5). The allowance also includes 27 positions in the District Court for law clerks (12) and commissioners (15).	158
Higher Education	153
Total New Positions	976

The State Workforce: 500 Vacant Positions Abolished after 2007 Special Session

<p>Department of Health and Mental Hygiene: Of the total, 61.0 positions are related to the closure of the Rosewood treatment facility. Also, 10.0 vacant positions were abolished from the AIDS Administration, 7.0 of which came from the Surveillance and Epidemiology division, and 1 each from Executive Direction, Maryland AIDS Drug Assistance Program, and Education and Training. An additional 9.0 vacancies were abolished in the Office of the Secretary, 8.8 from Health Regulatory Commissions and 7 from Laboratories Administration.</p>	<p>143.15</p>
<p>Maryland Department of Transportation: Of these, the largest vacancy reduction, 40, came from the State Highway Administration, while 24 came out of Mass Transit Administration, and 18 were abolished in the Motor Vehicle Administration.</p>	<p>96.50</p>
<p>Department of Human Resources: DHR’s Family Investment Division abolished 35.5 positions in the local departments, 26.5 of which were clerical. The remainder were administrative, fiscal, and computer support positions. The Child Welfare Division abolished 14.0 positions, 11.0 of which were from local departments. DHR Administration abolished 26.0 positions, 12.0 coming from local administration, mostly Baltimore City, and 6.0 from Budget, Finance, and Personnel Division. Community Services Administration abolished 10.5 positions, with 6.5 of these 6.5 vacant positions being abolished from local adult service offices.</p>	<p>90.00</p>
<p>MSDE and Other Education: The majority of reductions came out of the Division of Rehabilitation Services (DORS) as 8.7 PINs were abolished from its Workforce and Technology Center program, 4.0 from its Client Services, and 3.0 from its Disability Determination Services. The Correctional Ed program saw 3.5 PINs abolished as well.</p>	<p>27.70</p>
<p>Department of Juvenile Services: The entire amount abolished were vacant, non-direct care (<i>i.e.</i>, administrative) positions.</p>	<p>15.20</p>
<p>Department of Labor, Licensing, and Regulation: Of the total, there were 4.6 positions abolished from the Division of Unemployment Insurance, 4.0 from Workforce Development, 2.0 from Administration, 1.5 from the Office of the Secretary, and 1.0 each from the Divisions of Labor and Industry, Racing, and Occupational and Professional Licensing.</p>	<p>15.10</p>
<p>Executive and Administrative Control: Eight of the abolitions came from the Military Department, three from Maryland Insurance Administration, two from Department of Planning, and one each from Executive Boards and Secretary of State.</p>	<p>15.00</p>
<p>Police and Fire Marshal: Thirteen of the vacant positions were abolished in the Maryland State Police (nine administrative, two cadets, one safety inspector, and one mechanic) and two from the Administrative unit of the Fire Marshal.</p>	<p>15.00</p>

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Appendix 7 (Cont.)

Maryland Department of the Environment: Seven positions were abolished in Waste Management Administration (two geologists, one natural resources planner, one public health engineer, one environmental specialist, one administrator, and one environmental program manager), two in Water Management Administration (one water resources engineer and one natural resources planner), two positions in Air and Radiation Management Administration (one natural resources planner and one sanitarian), and one each in Technical and Regulatory Services Administration (one program manager) and Coordinating Offices (one environmental compliance specialist).	13.00
Legal (Excluding the Judiciary): The allowance abolishes nine vacant positions in the Office of the Public Defender: four office clerks, three office secretaries, one paralegal, and one administrative aide within the General Administration and District Operations programs. Two positions also came out of the Office of the Attorney General.	11.00
Department of Natural Resources: Four positions were abolished in Watershed Services (two administrators, one administrative officer, and one natural resources planner), three positions in the Office of the Secretary (one administrative officer, one personnel officer, and one administrator), and one in each of Engineering and Construction (one water resources engineer), Resource Assessment Service (one research statistician), Maryland Environmental Trust (one administrator), and Fisheries Service (one administrator).	11.00
Other Agencies	47.50
Total Vacant Positions Abolished	500.15

Exempt from Hiring Freeze as of 2/17/07*

Activity Therapy Associate	DJS Youth Recreation Specialist (all locations)**	Social Worker, Family Services
A/D Associate Counselor	DJS Youth Transportation Officer	Social Worker, Health Services
A/D Professional Counselor	Family Services Caseworker	Speech Pathologist Audiologist
A/D Supervised Counselor	Family Support Worker	Teacher/Librarian
Air Traffic Control Specialist	Food Administrator	Therapeutic Recreator
Airport Firefighter	Food Service Assistant	Therapy Services Manager
Alcohol and Other Drug Abuse Specialist	Food Service Manager	Work Adjustment Associate
Assistant Director of Nursing	Food Service Supervisor	Warden
Assistant Warden	Food Service Worker	
Assistant Superintendent, State Hospital	Geriatric Nursing Assistant	
Baker	Habilitation Technician	
CAMH Associate (Child and Adolescent Mental Health)	Instructional Assistant	
CAMH Specialist	Licensed Practical Nurse	
Chief Steward/Stewardess	Linen Service Worker	
Clinical Nurse Specialist	Mass Transit Safety Officer	
Clinical Pharmacist	Mental Health Associate	
Cook	Nursing Practitioner/Midwife	
Correctional Case Management Specialist	Nursing Technician	
Correctional Dietary Officer	Nutritionist	
Correctional Laundry Officer	Occupational Therapist	
Correctional Maintenance Officer	Occupational Therapy Assistant	
Correctional Officer	Patient/Client Driver	
Correctional Recreation Officer	Patient Rights Advisor	
Correctional Residence Counselor	Pharmacist	
Correctional Security Chief	Pharmacy Technician	
Correctional Supply Officer	Physical Therapist	
Dental Assistant	Physical Therapy Assistant	
Dental Hygienist	Physician Assistant	
Dentist	Physician Clinical Specialist	
Developmental Disabilities Associate	Physician Clinical Staff	
Developmental Disabilities Shift Coordinator	Physician Program Manager	
Dialysis Technician	Physician Supervisor	
Dialysis Services Chief	Practical Nursing Technician	
Director of Nursing	Pre-trial Release Case Agent (all locations)**	
Direct Care Assistant	Pre-trial Release Investigators (all locations)**	
DJS Assistant Director Youth Center	Principal and Assistant Principal	
DJS Assistant Superintendent Residential Facility	Psychologist Correctional	
DJS Case Management Specialist (all locations)**	Psychologist	
DJS Community Detention Officer (all locations)**	Psychology Associate	
DJS Director Youth Center	Psychology Services Chief	
DJS Resident Advisors (all locations)**	Qualified Developmental Disabilities Professional	
DJS Residential Group Life Manager (all locations)**	Radiologic Technologist	
DJS Youth Center Cook	Registered Dietitian	
	Registered Nurse	
	Resident Physician Specialist	
	Respiratory Care Nurse	
	Respiratory Care Practitioner	
	Security Attendant	
	Social Worker, Criminal Justice	

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Appendix 8 (Cont.)

*Series includes all classes with the same base title (*e.g.*, Correctional Officer title series includes Correctional Officer I, II, Sergeant, Lieutenant, Captain, and Major).

** All locations – includes both 24-hour facilities and non-residential, community-based programs.

Injured Workers' Insurance Fund Expenditure Allocation Fiscal 2005-2007

	<u>Fiscal 2005</u>		<u>Fiscal 2006</u>		<u>Fiscal 2007</u>
G&A Expense Total, 7/1/05 – 6/30/06	\$37,860,067.5		\$39,567,527.7		\$42,133,824.9
Less Cost Center Exclusions					
Underwriting	-2,673,906.2		-3,151,525.4		-2,870,431.0
Premium Audit	-1,553,636.5		-1,832,726.9		-2,239,291.0
EVP of Marketing	-92,948.1		-193,027.2		-199,173.6
Marketing (includes advertising)	-1,618,273.3		-1,610,679.7		-1,792,704.6
SERMA	-661,876.3		-635,436.7		-583,105.3
Special Programs	-183,872.7		-67,559.3		0.0
Total G&A Exclusions	-6,784,513.1		-7,490,955.1		-7,684,705.3
Adjusted G&A Expense	31,075,554.4		32,076,572.6		34,449,119.6
Allocation Percentage	22.0		21.4		20.6
State G&A Allocation		6,836,622.0		6,857,971.2	7,082,739.0
Depreciation	1,750,943.6		1,802,686.3		2,003,324.1
Allocation Percentage	22.0		21.4		20.6
State Depreciation Allocation		385,207.6		385,414.3	411,883.4
Workers' Compensation Commission Assessment Expense, 7/1/ – 12/31/05	2,573,075.1		1,349,169.3		1,524,376.6
State Percentage of IWIF's Total Insured Payroll	35.0%		33.7%		34.0%
State WCC Allocation, Full year		900,576.3			
State WCC Allocation, 7/1/ – 12/31/05, Six Month Total			454,670.1		518,288.1
State WCC Allocation through June			454,670.1		518,288.1
Workers' Compensation Commission Assessment Expense, 1/1/ – 6/30/06			1,349,169.3		1,524,376.6
State Percentage of IWIF's Total Insured Payroll			33.7%		34.0%
State WCC Allocation, 1/1/ – 6/30/06, Six Month Total			454,670.1		518,288.1
State WCC Allocation, 1/1/ – 6/30/06			454,670.1		518,288.1
LAE Expenses, not otherwise included in paid claims	1,351,547.5		1,565,643.8		1,130,197.2
Allocation Percentage	22.0		21.4%		20.6 %
State LAE Allocation		297,340.4		334,734.6	232,368.5
State Expense Allocation for 7/1/04 – 6/30/05, Regular		8,419,746.3		8,487,460.3	8,763,567.1

	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SERMA COST CENTER at 100%	661,876.3	635,436.7	583,105.3
Total State Expense Allocation For 7/1/04 # 6/30/05	9,081,622.6	9,122,897.0	9,346,672.4

Source: Injured Workers' Insurance Fund