

B75
General Assembly

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$73,650	\$76,403	\$76,703	\$301	0.4%
Adjusted General Fund	\$73,650	\$76,403	\$76,703	\$301	0.4%
Special Fund	339	100	100	0	
Adjusted Special Fund	\$339	\$100	\$100	\$0	0.0%
Adjusted Grand Total	\$73,988	\$76,503	\$76,803	\$301	0.4%

- The budget for the Maryland General Assembly increases by \$0.3 million, or 0.4%, for fiscal 2011. All of the increase is in general funds.

Personnel Data

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>
Regular Positions	747.00	747.00	747.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	747.00	747.00	747.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	18.45	2.47%
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- There is no change in the number of regular positions or contractual full-time equivalent positions in the fiscal 2011 budget.
- The turnover rate is set at 2.47%, which is slightly higher than historical rates, and will require that more than 18 positions remain vacant throughout the year.

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

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Analysis in Brief

Issues

General Assembly Compensation Commission Makes Recommendations: As required by the Maryland Constitution, the General Assembly Compensation Commission met and considered salaries, expenses, and pension benefits for members of the General Assembly. Each house has acted on a resolution in response to the commission's resolution, but final action is still pending.

Recommended Actions

1. Concur with the budget as approved by the Legislative Policy Committee.

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General Assembly

Operating Budget Analysis

Program Description

The Maryland General Assembly (MGA) is the legislative branch of State government. Separate budgets are provided for the Senate, comprised of 47 members; the House of Delegates, comprised of 141 members; leadership, committee, and member staff support; and general expenses shared by both chambers.

The Department of Legislative Services (DLS) provides nonpartisan staff support to the legislature. The department has four offices: the Office of the Executive Director; the Office of Legislative Audits; the Office of Legislative Information Systems; and the Office of Policy Analysis.

Fiscal 2010 Actions

Impact of Cost Containment

The Governor withdrew \$956.7 million in appropriations from the fiscal 2010 budget through the Board of Public Works in July, August, and November 2009. As part of the overall budget balancing strategies involving reductions, transfers, reversions, and revenues, the Administration assumed that MGA would revert \$5.0 million in general funds at the end of fiscal 2010. The actual amount of funds that can be reverted will not be known until the fiscal 2010 closeout process is concluded.

By executive order, the Governor announced a statewide plan of furlough service reduction days to reduce personnel costs in the fiscal 2010 budget. MGA voluntarily agreed to implement a comparable plan. Staff of MGA and DLS will see a salary reduction commensurate with those taken by the Executive Branch employees, and savings totaling \$1.1 million are anticipated. Because the salaries of elected officials cannot be reduced, the Presiding Officers implemented a voluntary plan whereby senators and delegates could contribute an equivalent amount to the State treasury.

Proposed Budget

As shown in **Exhibit 1**, the fiscal 2010 budget for MGA totals \$76.8 million, an increase of \$300,680 over the fiscal 2010 working appropriation. All of the increase is in general funds. Nearly 80% of the MGA and DLS budgets are in personnel costs; these costs increase \$0.6 million in 2011. The most significant increases are in employee retirement costs (\$813,428) and employee and retiree health insurance (\$419,602). These increases are partially offset by reductions in salary expenses and turnover (\$721,605).

Exhibit 1
Proposed Budget
General Assembly
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
2010 Working Appropriation	\$76,403	\$100	\$76,503
2011 Allowance	<u>76,703</u>	<u>100</u>	<u>76,803</u>
Amount Change	\$301	\$0	\$301
Percent Change	0.4%		0.4%
 Contingent Reductions	 0	 0	 \$0
Adjusted Change	\$301	\$0	\$301
Adjusted Percent Change	0.4%	0.0%	0.4%

Where It Goes:

Personnel Expenses

Retirement contribution	\$813
Employee and retiree health insurance	420
Unemployment compensation.....	66
Turnover adjustments.....	-281
Salary and compensation adjustments	-441
Other fringe benefit adjustments.....	16

Other Changes

Migration to Windows 7 and upgrade to Documentum 7.0.....	240
Legislative library books and materials	40
New legislator orientation.....	31
Postage, telephone, and other communication expenses.....	-19
Routine telephone line cabling and upgrades.....	-20
Data processing contractual services to reflect fiscal 2009 actuals.....	-52
Contractual payroll expenses throughout DLS	-67
In-state and out-of-state travel expenses	-78
Contracted services for training, continuing education, and management studies	-140
Replacement and additional equipment	-219
Other	-8

Total	\$301
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Note: Numbers may not sum to total due to rounding.

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Operating expenses overall decline by \$293,104. A large increase, \$240,000, is provided to cover the costs of upgrading the MGA computer systems to Windows 7 and Documentum 7.0, but reductions in replacement equipment (\$219,000) and a curtailing of training and continuing education expenses (\$140,000) more than offset this increase. Smaller changes reflect additional funds for library materials (\$40,000) and new legislator orientation (\$31,000); again, these are offset by reductions in other in- and out-of-state travel spending (\$78,000), contractual personnel (\$67,000), and data processing and communication costs (\$91,000).

The only special funds in the budget – received from the State Employee and Retiree Health and Welfare Benefit Fund to support the work of the Blue Ribbon Commission to Study Retiree Health Care Funding Options – is unchanged in fiscal 2011 at \$100,000. While additional funds have been needed in prior years for the commission, it has been inactive in fiscal 2010 pending the outcome of the federal health care debate. It is unclear at this point whether \$100,000 will be sufficient for the commission's work in 2011.

Impact of Cost Containment

Consistent with the treatment of Executive Branch agencies, no funds are provided for employee merit raises or cost-of-living adjustments. The fiscal 2011 budget would also eliminate, contingent on the enactment of legislation, the State's matching contribution to employees' supplemental retirement plans. These funds have not been included in the MGA budget totals, so no further reduction is needed.

The fiscal 2011 budget reflects several across-the-board reductions to Executive Branch agencies to be allocated by the Administration. This includes a combination of employee furlough days and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account.

Of these, it is anticipated that the General Assembly would again observe furloughs for MGA and DLS staff in a manner consistent with the plan in place for the Executive Branch, and the fiscal 2011 budget plan assumes a reversion of \$1 million from MGA as a result of furlough savings. It should be noted, however, that DLS is recommending that the general fund budget for MGA be reduced by \$1,094,800 through an amendment to Section 18 of the fiscal 2011 budget bill to account for the furlough savings.

Issues

1. General Assembly Compensation Commission Makes Recommendations

As required by the Maryland Constitution, the General Assembly Compensation Commission, with members appointed by the Governor, President of the Senate, and Speaker of the House, convened in advance of the 2010 legislative session to consider the compensation package that will accrue to legislators elected in November 2010. The commission adopted a resolution incorporating its recommendations.

Recommended Changes to the Compensation Package

- The commission's resolution freezes legislator salaries for two years but provides the opportunity for a one-time increase if certain conditions are met. Specifically, if on January 1, 2013, the State annual unemployment rate in the preceding calendar year is 5% or lower, the salary will increase by \$2,000 to \$45,500 for calendar 2013 and remain at that level for calendar 2014. If the State annual unemployment rate is above 5% on that date, but on January 1, 2014, is 5% or lower for the preceding calendar year, the salary will increase by \$2,000 to \$45,500 for calendar 2014 only.
- The resolution maintains the current differential for the Presiding Officers allowing for an increase under the same conditions provided for other legislators.
- The resolution increases the annual in-district travel allowance from \$500 to \$650 to reflect increases in the cost of fuel.
- The resolution ties the maximum reimbursement for meals and lodging expenses for approved out-of-state travel to the current federal domestic per diem rates as established by the United States General Services Administration and removes the approval of reimbursement in excess of those rates.
- The resolution alters the legislative pension by providing for a limited military service credit for legislators with certain service levels. Specifically, legislators with eight years or more of creditable legislative service may claim a military service credit of up to three years.
- The resolution also amends and repeals two optional forms of retirement allowances based on the Internal Revenue Service concerns. These changes have already been made in the State employee and teacher retirement systems.

Status of Legislative Action on the Recommendations

The General Assembly Compensation Commission transmitted its Resolution, dated January 5, 2010, to the General Assembly on January 12, 2010. Each house introduced a joint resolution in response to the recommendations on February 1, 2010.

House Joint Resolution 5 (HJ 5) rejects the recommended changes in the salaries for the Presiding Officers and legislators, the allowance for in-district travel, changes to the provisions for addressing out-of-state travel, and changes in the retirement benefits available to legislators. As such, the salaries and out-of-state travel provisions will remain as stated in the Compensation Commission Resolution dated January 6, 2006; in-state district travel and optional retirement allowances will remain as provided in the Compensation Commission Resolution dated January 11, 2002. The recommendation regarding military service retirement credit shall be void. HJ 5 passed on third reader on February 12, 2010.

Senate Joint Resolution 5 (SJ 5) was amended to conform to HJ 5, and an additional amendment was adopted to prohibit the payment of benefits under the Legislative Pension Plan to a member or a member's beneficiary if the member is convicted of or enters a plea of *nolo contendere* to any crime that is a felony, or that is a misdemeanor related to the member's public duties and responsibilities and involves moral turpitude for which the penalty may be incarceration in any penal institution. The amendment further states that the forfeiture of benefits occurs at the time of conviction and that the member, retiree, or beneficiary is only entitled to a return of the member's or retiree's accumulated contributions, plus interest, less any benefit payments already made. SJ 5, as amended, passed third reader on February 19, 2010.

Recommended Actions

1. Concur with the budget as approved by the Legislative Policy Committee.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland General Assembly (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2009					
Legislative Appropriation	\$75,556	\$100	\$0	\$0	\$75,656
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	841	400	0	0	1,241
Cost Containment	0	0	0	0	0
Reversions and Cancellations	-2,747	-161	0	0	-2,908
Actual Expenditures	\$73,650	\$339	\$0	\$0	\$73,989
Fiscal 2010					
Legislative Appropriation	\$76,403	\$100	\$0	\$0	\$76,503
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$76,403	\$100	\$0	\$0	\$76,503

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

Fiscal 2009

The fiscal 2009 budget was increased by \$840,700 in general funds to provide the employee cost-of-living adjustments that were centrally appropriated in the Department of Budget and Management. Two amendments of \$200,000 each provided additional special funds for the Blue Ribbon Commission to Study Retiree Health Care Funding Options, although \$161,165 of this was cancelled at the end of the year.

General fund reversions from the fiscal 2009 budget totaled \$2.7 million, representing the savings from the statewide decision to reduce funding for Other Post Employment Benefits liability (\$1,172,042), statewide furloughs (\$575,119), and operating expenses from DLS (\$1,000,000). In addition, MGA reverted \$8.5 million in prior year encumbrances as part of the State's overall cost containment efforts.

Fiscal 2010

The fiscal 2010 budget is unchanged from the legislative appropriation.

**Object/Fund Difference Report
General Assembly**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	747.00	747.00	747.00	0	0%
Total Positions	747.00	747.00	747.00	0	0%
Objects					
01 Salaries and Wages	\$ 56,211,778	\$ 60,173,973	\$ 60,767,757	\$ 593,784	1.0%
02 Technical and Spec. Fees	1,574,073	1,495,050	1,427,750	-67,300	-4.5%
03 Communication	618,848	674,400	655,150	-19,250	-2.9%
04 Travel	3,043,998	3,467,500	3,388,681	-78,819	-2.3%
06 Fuel and Utilities	5,272	7,000	6,000	-1,000	-14.3%
07 Motor Vehicles	65,753	43,200	45,032	1,832	4.2%
08 Contractual Services	7,031,033	7,605,486	7,665,280	59,794	0.8%
09 Supplies and Materials	1,170,071	1,190,700	1,241,088	50,388	4.2%
10 Equipment – Replacement	3,772,674	1,303,900	1,084,000	-219,900	-16.9%
11 Equipment – Additional	6,463	0	1,000	1,000	N/A
13 Fixed Charges	406,715	437,413	437,564	151	0%
14 Land and Structures	81,730	104,000	84,000	-20,000	-19.2%
Total Objects	\$ 73,988,408	\$ 76,502,622	\$ 76,803,302	\$ 300,680	0.4%
Funds					
01 General Fund	\$ 73,649,573	\$ 76,402,622	\$ 76,703,302	\$ 300,680	0.4%
03 Special Fund	338,835	100,000	100,000	0	0%
Total Funds	\$ 73,988,408	\$ 76,502,622	\$ 76,803,302	\$ 300,680	0.4%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
General Assembly**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
01 Senate	\$ 10,853,165	\$ 11,202,823	\$ 11,292,694	\$ 89,871	0.8%
02 House of Delegates	19,881,155	20,999,206	21,497,720	498,514	2.4%
03 General Legislative Expenses	995,497	1,016,727	1,014,790	-1,937	-0.2%
04 Office of the Executive Director	11,401,452	11,283,155	11,077,550	-205,605	-1.8%
05 Office of Legislative Audits	11,275,516	11,929,399	11,892,331	-37,068	-0.3%
06 Office of Legislative Information Systems	4,735,881	4,995,422	4,960,526	-34,896	-0.7%
07 Office of Policy Analysis	14,845,742	15,075,890	15,067,691	-8,199	-0.1%
Total Expenditures	\$ 73,988,408	\$ 76,502,622	\$ 76,803,302	\$ 300,680	0.4%
General Fund	\$ 73,649,573	\$ 76,402,622	\$ 76,703,302	\$ 300,680	0.4%
Special Fund	338,835	100,000	100,000	0	0%
Total Appropriations	\$ 73,988,408	\$ 76,502,622	\$ 76,803,302	\$ 300,680	0.4%

Note: The fiscal 2010 appropriation does not include deficiencies.