

F10A02
Personnel
Department of Budget and Management

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	\$6,581	\$12,396	\$6,908	-\$5,489	-44.3%
Contingent & Back of Bill Reductions	0	0	-188	-188	
Adjusted General Fund	\$6,581	\$12,396	\$6,720	-\$5,677	-45.8%
Reimbursable Fund	6,169	6,432	7,411	979	15.2%
Contingent & Back of Bill Reductions	0	0	-87	-87	
Adjusted Reimbursable Fund	\$6,169	\$6,432	\$7,324	\$892	13.9%
Adjusted Grand Total	\$12,750	\$18,828	\$14,044	-\$4,784	-25.4%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The Office of Personnel Services and Benefits budget decreases overall by \$4.78 million due to the removal of general funded statewide health insurance monies that had elevated the fiscal 2010 working appropriation.
- Major operating increases of \$423,000 are found in the reimbursable funded programs on contracts that provide actuarial, flexible spending account, and technology services to the statewide employee/retiree health insurance program.

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	116.00	131.50	131.50	0.00
Contractual FTEs	<u>1.40</u>	<u>0.20</u>	<u>0.20</u>	<u>0.00</u>
Total Personnel	117.40	131.70	131.70	0.00

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

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Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	5.25	3.99%
Positions and Percentage Vacant as of 12/31/09	15.00	11.41%

- There are no new regular or contractual positions in the allowance. Turnover in the allowance has been increased by 86% over fiscal 2010 levels to reflect vacancy totals and the continuation of cost containment actions.

Analysis in Brief

Major Trends

Tracking Figures Indicate a Shift in Personnel Transactions: Recessionary conditions have vastly reduced separations from State service and employee advancement along career paths. **The agency should comment on the stabilization of workforce totals and the potential for increased costs even with frozen salaries due to the declining availability of savings from returning salaries to base and attrition.**

Issues

Overview of State Employee Compensation: A planned fiscal 2011 furlough and position abolitions reduce overall salary expenditures, but the continued growth of fringe benefit costs push total employee compensation higher in the allowance than fiscal 2010 totals. **The agency should comment on the increased unemployment claims by former State workers that have caused the accelerated depletion of reserves.**

Statewide Positions Changes and Vacancy Totals: Total position counts in the allowance are below the recommended spending affordability limit. Vacancy levels also decline, and the turnover amounts allotted them in the allowance are in line with the extant vacancies.

Employee Health Insurance Cost Saving Measures: State appropriations for this fringe benefit post mild increases in fiscal 2011 due to a one-time savings from plan switches and cost reduction strategies in the prescription plan. The utilization of accumulated reserves will oblige the State to meet all future cost increases with budgeted appropriations. **The Department of Budget and Management (DBM) should discuss potential savings from switching all prescriptions to 30-day supplies, how savings from recently enacted prescription plan changes will be tracked, and its plans for funding future cost increases.**

Numerous Injured Workers’ Insurance Fund Transfers Require Examination: The fiscal 2011 allowance and the Budget Reconciliation and Financing Act (BRFA) of 2010 contemplate several actions that either transfer money to the general fund from various Injured Workers’ Insurance Fund (IWIF) sources or reduce the State’s payments to IWIF for the claim administration services it renders. **The Department of Legislative Services recommends that the committees reject the \$20 million transfer from IWIF reserves and the \$500,000 transfer from the State’s administrative cost account to the general fund in the BRFA of 2010. DBM should detail the workers’ compensation settlement policy and explain how the changes it has instituted yield savings.**

Recommended Actions

1. Add Section for Rule of 50 position growth limitation.
2. Add annual position reporting language.
3. Add annual language requiring Executive Pay Plan reporting.
4. Add annual language restricting the movement of employees into abolished positions.
5. Add annual language requiring employee health insurance receipts and spending reporting.

Updates

Legislative Audit Issues Reaching Resolution: Several items from the Office of Legislative Audits’ 2009 review of DBM’s oversight of pharmacy drug benefits, contractual discounts, and rebates remain outstanding, while issues of fraud monitoring and internal auditing have been resolved.

Teleworking Program Restructured: DBM reviewed and enhanced oversight provisions regarding State teleworkers in response to legislative concerns about the productivity of participants in the program.

F10A02 – Department of Budget and Management – Personnel

F10A02
Personnel
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 through its oversight of the State Personnel Management System (SPMS). All positions in the Executive Branch of State government are in the SPMS, except for employees of higher education institutions and the Maryland Department of Transportation (MDOT). Positions in the Legislative and Judicial Branches of State government are also outside of the SPMS. 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.

Performance Analysis: Managing for Results

OPSB's Managing for Results measures deal with the statewide employee retention rate and settlement of grievance and disciplinary appeals. The reported figures are effectively static from fiscal 2008 to 2011. More telling data on the activities of OPSB, however, is available in quarterly data that the Department of Budget and Management (DBM) has provided the Department of Legislative Services (DLS) regarding the various transactions overseen by the agency in the course of its duties as the central administrator of statewide personnel issues.

Tracking Figures Indicate a Shift in Personnel Transactions

Exhibit 1 lists the major personnel transactions in the SPMS since fiscal 2005. For fiscal 2009 and 2010, the figures are detailed on a quarterly basis. The transactions involving hiring totals and career advancement figures are listed in the upper portion of the table. There have been declines in nearly every major category over the last several fiscal years. For example, appointments, which fell from 4,482 in fiscal 2008 to 3,794 in fiscal 2009, reflect the ongoing hiring freeze and limited new position creation. As for the figures that track employee career advancement, such as promotions and reclassifications, the decrease is even more marked. Reclasses fell from 2,683 to 1,130, and promotions from 3,836 to 2,678 over the same period. This decline is accelerating, as the quarterly figures show the progress of these changes thus far in fiscal 2010. While a promotion means that an employee is advanced from a position in one classification to a different position in a different classification with a higher maximum rate of pay, reclassifications may be due to changes that reflect increases or decreases in salary depending on the position's disposition. Even with the restriction on step increases and bonus pay from Section 14 of the Budget Reconciliation and Financing Act (BRFA) of 2009, reclassifications and promotions are permitted.

Exhibit 1
State Personnel Transactions
Fiscal 2005-2010

<u>Career Track</u>	2005	2006	2007	2008	2009	2009 by Quarter				2010 by Quarter	
						Q1	Q2	Q3	Q4	Q1	Q2
Appointments	4,753	4,588	4,697	4,482	3,794	1,261	1,021	851	661	753	648
Reinstatements	601	532	635	582	382	99	96	113	74	85	84
Transfers	348	491	457	382	365	126	78	60	101	67	41
Promotions	2,584	3,204	3,721	3,836	2,678	921	665	639	453	730	610
Reclassifications	3,645	1,999	3,176	2,683	1,130	421	152	367	190	92	68
Demotions	358	303	346	360	252	82	54	77	39	99	43
Subtotal	12,289	11,117	13,032	12,325	8,601	2,910	2,066	2,107	1,518	1,826	1,494
 <u>Separations</u>											
Deceased	78	88	68	75	49	6	11	18	14	17	18
Failed to Report for Duty	47	62	64	88	45	14	16	6	9	6	3
Layoffs/Filled Position Abolition*	24	6	18	10	102	7	0	43	52	23	85
Leave of Absence	204	146	129	140	80	30	23	13	14	23	14
Resignations	2,889	2,619	2,849	2,782	1,767	617	403	364	383	465	317
Retired	1,800	1,421	1,460	1,625	1,146	266	261	250	369	266	332
Terminated	340	191	311	333	318	53	60	99	106	107	203
Terminated on Probation	135	178	210	128	133	45	35	28	25	27	14
Subtotal	5,517	4,711	5,109	5,181	3,640	1,038	809	821	972	934	986

*Includes employees who had not vacated their positions prior to the abolition but may have done so after the position was designated for abolition, *i.e.* via retirement.

Source: Department of Budget and Management

The decline in reclassifications can have significant budgetary impacts because reclasses offer agencies opportunities for savings, even as some employees receive higher salaries by moving along their career track. This phenomenon can be illustrated by changes to a prominent classification experienced from the fiscal 2010 working appropriation to the fiscal 2011 allowance. Correctional Officers (CO) I and II are two of the most common classifications in the SPMS, representing more than 5,302 positions combined. Of the total, between fiscal 2010 and 2011, over 1,000 of the positions were involved in a promotion or reclassification. One typical personnel change is the noncompetitive reclassification when a CO I employee moves up to CO II after serving for a predetermined amount of time. Such actions increase the employee's annual salary by approximately \$2,350. Inclusive of such changes, salary increases for CO I positions raise fiscal 2011 expenditures by \$2.4 million. However, these increases are offset from a budgeting point of view by the agency's ability to return a position's salary to base once it becomes vacant. The return to base level of salaries included in the allowance stemming from the departure of longer-tenured CO II's with higher relative salaries yielded a spending reduction of \$3.3 million. Therefore, even as noncompetitive positions advance through reclassifications while salaries are frozen, such reductions help

departments manage costs. This flexibility, however, is available only if vacancies related to higher-salaried employees occur.

Yet, Exhibit 1 shows that the frequency of all separations from State service is declining. Resignations dropped by over 35% in the last fiscal year while retirements dropped by 29%. As more employees remain in their positions, fewer vacancies open. As longer-tenured employees with higher salaries opt not to leave or retire, the reductions from returning their positions to base dwindle, as do attrition savings through the abolition of vacant positions. In the absence of changes to the salary structure, two outcomes from these changing personnel transaction rates emerge: overall salary spending must increase as savings opportunities from vacancies diminish, and if further reductions to agency complements are required, they will have to take the form of layoffs as the pool of vacancies declines. This situation should be readily apparent in the budgeted figures for each agency through Comptroller Subobject 0112, which is designated for reclassifications. However, the lack of consistent use of this budgeting tool by State agencies makes a position-by-position salary and classification tracking necessary to quantify the effects of turnover. **The agency should comment on the stabilization of workforce totals and the potential for increased costs even with frozen salaries due to the declining availability of savings from returning salaries to base and attrition.**

Fiscal 2010 Actions

Impact of Cost Containment

The cost containment action of August 2009 reduced the DBM – Personnel appropriation by \$5,395,666 to represent general fund savings anticipated for changes to the statewide employee/retiree prescription insurance program, \$247,845 to represent savings from employee furloughs, and \$300,000 in salary savings by holding positions vacant.

Proposed Budget

The OPSB budget decreases overall by \$4.8 million due to the removal of \$5.9 million in statewide health insurance funding that had elevated the fiscal 2010 working appropriation, as shown in **Exhibit 2**. Once the statewide items are removed, the budget increases by \$421,500 in general funds and \$979,000 in reimbursable funds, exclusive of across-the-board reductions. The reimbursable funds represent spending for the administration of the State's health insurance program and have their revenue source in the State Employee and Retiree Health and Welfare Benefits Fund.

Personnel expenditures increase by \$491,000, principally fueled by increased retirement contributions. Personnel costs are approximately two-thirds general funds and one-third reimbursable funds. Salary and reclassification levels increase by \$315,000 due to the temporary nature of fiscal 2010 cost containment reductions made for positions held vacant, but some of these savings have been memorialized by a \$157,000 increase in turnover.

Exhibit 2
Proposed Budget
Department of Budget and Management – Personnel
(\$ in Thousands)

How Much It Grows:	General Fund	Reimb. Fund	Total
2010 Working Appropriation	\$12,396	\$6,432	\$18,828
2011 Allowance	<u>6,908</u>	<u>7,411</u>	<u>14,319</u>
Amount Change	-\$5,489	\$979	-\$4,509
Percent Change	-44.3%	15.2%	-24.0%
Contingent Reductions	-\$188	-\$87	-\$275
Adjusted Change	-\$5,677	\$892	-\$4,784
Adjusted Percent Change	-45.8%	13.9%	-25.4%

Where It Goes:

Personnel Expenses

Salary adjustments, reclassifications and other compensation.....	\$315
Retirement contributions.....	148
Employee and retiree health insurance	67
Accrued leave payout.....	50
Social Security contributions	36
Workers' compensation premium assessment	22
Turnover adjustments.....	-157
Other fringe benefit adjustments.....	10

Reimbursable Fund Operational Items

Actuarial and flexible spending contract services.....	227
Full year of new software maintenance contract	196
Rent to Department of General Services.....	158
Printing for open enrollment	50
Double budgeting error, revenues to be canceled	46
Other contractual changes.....	-32
Other	-1

Statewide General Fund Items

Fiscal 2010 health insurance offset removed	-5,910
Other items.....	-9

Total **-\$4,784**

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

Contrarily, operating expenditure growth is almost exclusively in reimbursable funds. The largest increases are \$227,000 for contractual spending on actuarial services and flexible spending account support, \$196,000 for the software maintenance contract which was only budgeted for three-quarters of fiscal 2010 and manifests its entire cost in the allowance, and printing for open enrollment materials. Operating costs funded by the general fund fall by \$9,000.

Impact of Cost Containment

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs 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. For purposes of illustration, DLS has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund (IWIF) cost savings.

Issues

1. Overview of State Employee Compensation

The changes to statewide employee compensation in the fiscal 2011 allowance are detailed in **Exhibit 3**. Total proposed personnel spending in the allowance increases by \$70.8 million over fiscal 2010 levels to \$6,583.3 million, a 1.09% increase. By way of comparison, the fiscal 2010 allowance proposed a \$99.5 million, or 1.5%, increase over fiscal 2009 levels. As was the case in fiscal 2010, growth is driven by fringe benefit increases required to comply with benefit obligations. A fiscal 2011 furlough plan and further position abolitions continue reductions in overall salary spending.

Exhibit 3
Regular Employee Personnel Changes
Fiscal 2010 Working Appropriation to Fiscal 2011 Allowance
(\$ in Millions)

2010 Working Appropriation	\$6,512.5
Fiscal 2010 Deficiencies	24.2
Salary Changes	
Annualized fiscal 2010, reclassifications and other changes	2.8
Section 18 furlough	-76.7
Section 20 personnel-related reduction	-10.0
Position-based Changes	
46.7 new full-time equivalent positions in the allowance	2.3
202.0 positions abolished in allowance (includes Section 24)	-12.6
Health Insurance	
Active and retired employee insurance cost increases	60.9
Section 19 reduction	-20.2
Retirement Contributions	86.8
Social Security	-12.9
Unemployment Insurance	8.5
Workers' compensation insurance	-10.5
Overtime	-9.1
Adjustment to Turnover	36.4
Miscellaneous Adjustments	-16.0
Other Salary (additional assistance, shift differential, accrued leave payout, tuition waivers, remainder)	13.2
Fiscal 2011 Allowance¹	\$6,583.3
Increase over Fiscal 2010 Working Appropriation	\$70.8
Percentage Increase	1.09%

¹ The fiscal 2011 allowance does not reflect furlough salary reductions for federal funded positions, or salaries in the Judiciary and Legislature that would in sum reduce the final appropriation by \$16.9 million, or one-quarter of the overall increase.

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

Source: Department of Budget and Management

Total Salary Spending Declines Again with Continuing Furlough

Salaries in the allowance would have been effectively held constant due to the absence of funding for cost-of-living adjustments (COLA) or increments, frequently called merit increases. Section 31 of the BRFA of 2010 prevents the inclusion of funding for any pay increase in the budget. However, Section 18 of the budget bill provides for a fiscal 2011 furlough that lowers salaries by \$76.7 million.

No specifics of the furlough's implementation are included in the provision, but DBM advises that its application will mirror the fiscal 2010 plan. Under that plan, defined in Executive Order 01.01.2009.11, State employee salaries were reduced through a combination of furloughs and salary reduction days linked to the statewide closure of facilities on five days contiguous to State holidays. All employees earning over \$40,000 were subject to a temporary salary reduction for those five salary days, while non-24/7 employees with salaries between \$40,000 and \$49,999 were furloughed for an additional three days, those between \$50,000 and \$99,999 for an extra four days; and those earning over \$100,000 are furloughed for an additional five days. The result was an average salary reduction that ranged from -1.15% of salary for those employees earning under \$40,000 to -3.84% of salary for those in the highest pay range. Overall, the reduction netted savings of approximately 2.5% of salaries once one accounts for all fund types. Higher education entities had their appropriations reduced by sums commensurate with projected furlough salary savings, but each was allowed to administer the leave as its management saw fit. The Judiciary and Legislature, although not obligated by the order, also participated in the furlough.

With the fiscal 2011 furlough, total salary spending in the fiscal 2011 allowance, which before turnover represents over \$4.96 billion, or 73.5% of total compensation costs, posts a second consecutive year-to-year decline. By comparison, salaries represented 76.5% of compensation in fiscal 2008 when preturnover budget totals were \$5.11 billion. The amount removed for turnover does fall in the allowance by \$36.7 million, effectively increasing the money available to pay for salaries, but this change reflects the systematic elimination of vacant positions. Contrarily, net position abolitions reduced the appropriation by nearly \$12.6 million to further reduce planned salary expenditures. Greater detail on these position-related items is provided in Issue 2. The dynamic of declining salaries as a portion of total compensation is accelerated by the increasing costs of employee fringe benefits.

Pension Contribution Growth Fuels Increased Outlays for Fringe Benefits

As was noted in the 2009 session, two fringe benefit costs that cannot be altered without significant policy changes represent the bulk of employee compensation growth – employee and retiree health insurance payments and employee pension contributions. Health insurance spending increases by a net of \$40.9 million, as higher costs were partially mitigated by several cost savings measures that are described in Issue 3. Because all previously held balances have been expended, future expenditures resulting from cost and membership growth will have to be fully funded in the budget. Pension funding though, is the area of largest personnel-related expense growth in the allowance, increasing by \$86.8 million across all systems, approximately \$52.0 million of which are general funds. Absent abnormally positive investment returns in the pension Trust, retirement costs paid by the State as fringe benefits will progressively grow each year. The contribution rates and dollar totals from fiscal 2009 to 2011 are detailed in **Appendix 3**.

The State has employees in five pension systems: Employees', Teachers', Police, Judges', and Law Enforcement Officers' (LEOPS). Total State contributions for these plans represent \$472.2 million in the fiscal 2011 allowance, or a \$160.5 million increase since fiscal 2009. The increases are driven by the annual actuarial calculation for each of the plans that determine the level of asset growth required to ensure that funds will be available for future benefit payments. The asset losses suffered by the system due to negative investment performance, -5.6% in fiscal 2008 and -20.0% in fiscal 2009, have lowered pension asset values by over \$10.0 billion over that time. As a result, the State, in its role as the employer, must supplement this lost income with higher contributions. Other factors have also increased the amounts of State contributions, such as:

- the 2006 pension enhancement that increased liabilities by an estimated \$120.0 million annually by providing a retroactive benefit increase;
- the maturing nature of the system, as the ratio of benefit recipients to active members decreases; and
- funding below the actuarial rate causes assets to grow at a slower rate than liabilities.

While the market value of the investments under State management has grown by 14.7% thus far in fiscal 2010, up to \$32.8 billion as of December 31, 2009, such improvement will only partially hold down rate increases. Mercer, the legislature's actuary, predicts that with an assumed investment return of 15.0% for fiscal 2010, and 7.75% going forward, the fiscal 2012 rates will be 12.99% for the Employees' system. That amounts to an additional \$57.6 million over the fiscal 2011 allowance's contribution levels that must be included in the fiscal 2012 budget. In fact, under Mercer's projections, the State's dollar contributions for its employees will have effectively doubled from fiscal 2010 to 2015 if no changes to this program are enacted.

Unemployment Insurance Increase

Aside from pension contributions and health insurance costs, the fiscal 2011 allowance also posts a significant increase in unemployment insurance (UI) contributions for its employees. The State is self-insured for unemployment benefits, so no funds paid through agency budgets relate to the State UI trust or to commercial taxes. UI funding in the allowance increases to \$13.3 million for fiscal 2011, an increase of \$8.5 million over the fiscal 2010 working appropriation, \$5.1 million of which are general funds.

The State had been drawing down an accumulated reserve since fiscal 2006 by lowering agency contributions in the budget, through Comptroller Subobject 0174. The rate had fallen from \$0.33 per \$100 of payroll in fiscal 2006 to the \$0.10 charge utilized in the fiscal 2010 legislative appropriation. During the 2009 session, \$10.0 million was transferred from these self-insured reserves to help balance the budget. Projections at the time indicated that this amount of withdrawal would allow the fiscal 2011 rate to remain static. However, unprecedented increases in disbursements from the reserve exceeded projected levels by more than \$7.5 million, resulting in the need to collect more from each agency. As a consequence, the allowance budgets \$0.28 per \$100 of payroll in order to leave an estimated \$636,000 balance at the end of fiscal 2011. **The agency should comment on the increased unemployment claims by former State workers that have caused the accelerated depletion of reserves.**

2. Statewide Positions Changes and Vacancy Totals

The fiscal 2011 allowance reflects 202.0 regular full-time equivalent (FTE) position abolitions and 46.7 new position creations across the agency budgets. The net impact is a total of 79,579.8 positions in State service for fiscal 2011, as shown in **Exhibit 4**. The majority of SPMS agencies experienced a loss of positions, with the exception of the Department of Agriculture, the Department of State Police, and the State Lottery Agency. These departments received additions to their personnel complements in compliance with legislation from past sessions. The agencies with the largest reductions are the Department of Human Resources (50.0), the Department of Assessments and Taxation (35.0), and University of Maryland Biotechnology Institute (16.0). The position counts of MDOT, the Judiciary, and the Legislature are unchanged. A detailed narrative explanation of the major changes by department is provided in **Appendix 4**.

Exhibit 4
Regular Full-time Equivalent Position Changes
Fiscal 2009 Actual to Fiscal 2011 Allowance

<u>Department/Service Area</u>	<u>2009 Actual</u>	<u>2010 Work. Approp.</u>	<u>Transferred</u>	<u>Created</u>	<u>Filled Abolished</u>	<u>Vacant Abolished</u>	<u>2011 Allowance</u>	<u>Difference</u>
Health and Human Services								
Health and Mental								
Hygiene	7,237	6,584	0	8	-4	-18	6,571	-13
Human Resources*	6,851	6,742	-1	0	-2	-47	6,692	-50
Juvenile Services	2,272	2,254	0	0	-7	-7	2,240	-14
Subtotal	16,360	15,580	-1	8	-13	-72	15,503	-77
Public Safety								
Public Safety and								
Correctional								
Services	11,627	11,308	0	0	0	0	11,308	0
Police and Fire								
Marshal	2,441	2,416	0	10	0	0	2,426	10
Subtotal	14,067	13,723	0	10	0	0	13,733	10
Transportation	9,135	9,012	0	0	0	0	9,012	0
Other Executive								
Legal (Excluding								
Judiciary)	1,571	1,504	0	0	-9	-6	1,490	-15
Executive and								
Administrative								
Control	1,661	1,633	1	6	-5	-12	1,624	-10
Financial and								
Revenue								
Administration	1,990	1,991	0	11	-1	-35	1,966	-25
Budget and								
Management	447	450	1	3	-1	-2	451	1
Retirement	204	204	0	0	0	0	204	0
General Services	611	593	0	0	0	0	593	0
Natural Resources	1,359	1,287	-1	0	-2	0	1,284	-3
Agriculture	427	406	0	7	0	0	413	7
Labor, Licensing, and								
Regulation	1,484	1,680	0	0	0	-12	1,669	-12
MSDE and Other								
Education	2,138	1,961	0	0	-8	-4	1,949	-12
Housing and								
Community								
Development	311	311	0	0	0	0	311	0

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<u>Department/Service Area</u>	<u>2009 Actual</u>	<u>2010 Work. Approp.</u>	<u>Transferred</u>	<u>Created</u>	<u>Filled Abolished</u>	<u>Vacant Abolished</u>	<u>2011 Allowance</u>	<u>Difference</u>
Business and Economic Development	259	238	0	1	-3	-1	235	-3
Environment	979	970	0	0	0	0	970	0
Subtotal	13,439	13,228	1	28	-29	-72	13,157	-71
Executive Branch Subtotal	53,001	51,543	0	47	-42	-143	51,405	-138
Higher Education	23,768	23,864	0	0	-10	-7	23,847	-17
Judiciary	3,569	3,581	0	0	0	0	3,581	0
Legislature	747	747	0	0	0	0	747	0
Grand Total	81,085	79,735	0	47	-52	-150	79,580	-155

MSDE: Maryland State Department of Education

*Section 24 of the budget bill abolishes 15 yet-to-be determined positions in the Department of Human Resources. They are counted here as vacant abolitions.

Source: Department of Budget and Management

The Administration's position deletions follow upon the Spending Affordability Committee (SAC) recommendation that the total budgeted FTEs be capped at 79,700 positions to achieve employee levels sustainable by the State's increasingly restricted fiscal capacity. The recommendation sought to freeze position counts at their November 2009 levels. The allowance places statewide positions 120 FTEs below the SAC limit for fiscal 2011.

Vacant Position Totals

Over the past several fiscal years, the abolition of vacant positions has been a legislative priority. This reduction produces cost savings and addresses the problem of indefinitely vacant positions confusing the budgeting process as their unpaid salaries may be utilized for other agency needs. Following the 2007 special session, which called for the abolition of 500 vacancies, and several SAC recommendations propounding the same need, the Administration has focused its position abolitions on vacant positions. Cost containment actions brought by the Governor to the Board of Public Works (BPW) since fiscal 2008, for example, have deleted 2,257 FTEs from Executive Branch service, 1,905 of which were vacant. The overall reduction of positions is evident, as Executive employee counts have fallen from 53,363 FTEs in fiscal 2007 to the 51,405 FTEs in the allowance.

However, DLS estimates the effectiveness of this approach in matching salary funds to their intended uses by comparing agency turnover offsets, *i.e.* how much is removed from the budget to represent the time when salaries are not being paid for vacant positions, to the actual vacancy rates. The results of this calculation are shown in **Exhibit 5**.

The table shows that the amount of turnover in the fiscal 2011 allowance funds approximately 302 more vacancies than the actual number of vacancies posted at the time of the calculation, January 1, 2010. This low proportion, 0.6% of the total Executive workforce, indicates that turnover levels are in line with the actual vacancy experience of agencies. As a point of reference, in fiscal 2008, as the Administration began accelerating the pace of vacant position abolitions, this same calculation yielded a total of 1,639 vacancies of this sort, nearly five times as many as we currently see. While a result of 0 vacancies above the turnover level is ideal, the variation in the current result is more a reflection of the need to estimate the value of these positions than the implicit inclusion of funding for vacant positions. This is the case because vacancies are constantly in flux.

Duration of Vacant Positions

Each month vacant positions are filled, new positions once filled become vacant, and abolitions alter the total positions that have the potential to become vacant. As such, DBM provides vacancy data to DLS on a monthly basis to reflect the changing nature of the positions available to departments. **Exhibit 6** shows the number of vacant positions in the Executive agencies according to the length of time the position has been vacant.

**Exhibit 5
Positions Above Turnover
Fiscal 2011 Allowance**

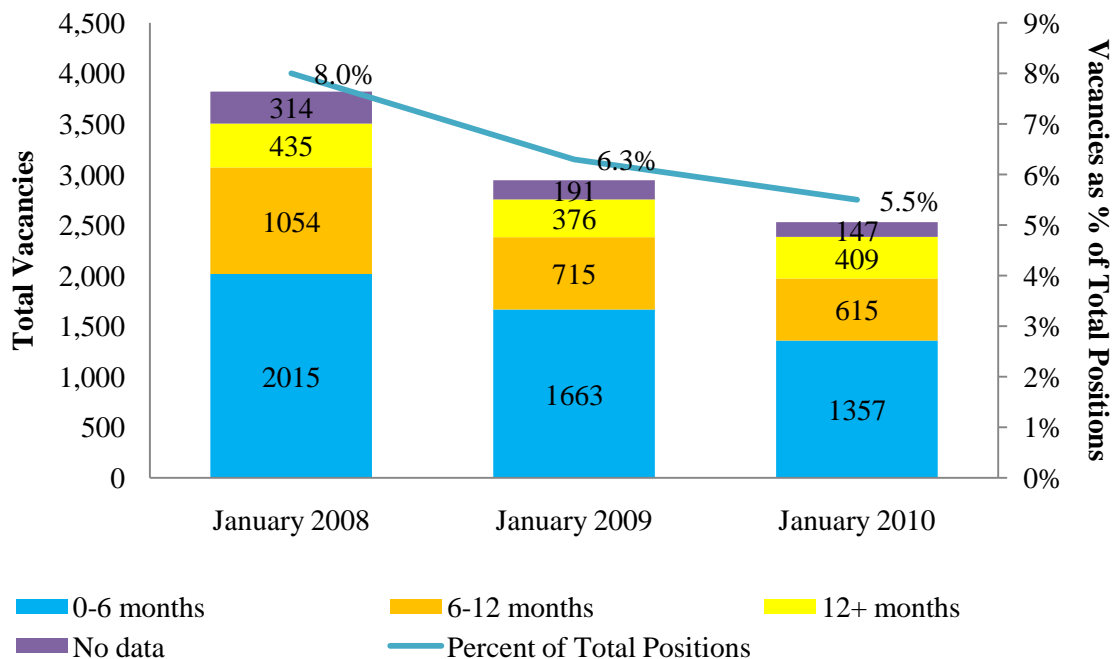
<u>Department</u>	<u>FTEs</u>	<u>Vacancies</u>	<u>Vacancy Rate</u>	<u>Turnover Rate</u>	<u>Vacancies to Equal Turnover</u>	<u>Vacancies Above Turnover</u>
Health and Mental Hygiene	6,571	466	7.1%	5.0%	327	140
Human Resources	6,692	453	6.8%	7.4%	495	-42
Juvenile Services	2,240	139	6.2%	4.0%	89	50
Public Safety and Correctional Services	11,308	469	4.1%	4.2%	480	-11
Police and Fire Marshal	2,426	185	7.6%	4.6%	111	74
Transportation	9,012	320	3.6%	4.1%	371	-51
Other Executive						
Legal (Excluding Judiciary)	1,490	85	5.7%	4.4%	65	20
Executive and Administrative Control	1,624	119	7.3%	5.1%	82	36
Financial and Revenue Administration	1,966	121	6.1%	4.5%	88	33
Budget and Management	451	46	10.1%	5.0%	22	23
Retirement	204	12	5.9%	4.1%	8	4
General Services	593	41	6.9%	4.6%	27	14
Natural Resources	1,284	57	4.4%	5.1%	66	-9
Agriculture	413	22	5.2%	7.4%	31	-9
Labor, Licensing, and Regulation	1,669	142	8.5%	4.5%	74	67
MSDE and Other Education	1,949	113	5.8%	6.0%	117	-3
Housing and Community Development	311	13	4.1%	4.1%	13	0
Business and Economic Development	235	8	3.3%	4.1%	10	-2
Environment	970	39	4.0%	7.2%	70	-31
Executive Branch Subtotal	51,405	2,848	5.5%	5.0%	2,546	302

MSDE: Maryland State Department of Education

Note: Turnover adjusted for fiscal 2011 furlough.

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

**Exhibit 6
Executive Branch Vacancy Duration and Percent of Total Positions
January 2008-2010**



Source: Department of Budget and Management

This breakdown of vacancies over time shows three important trends that reinforce the results of the turnover comparison. First, the total number of vacancies declines, both in absolute terms and as a percentage of total positions. In January 2008, there were 3,818 vacant positions in SPMS, an amount representing 8.0% of all Executive positions. By January 2010, total vacancies had fallen to 2,528 FTEs and represented 5.5% of total positions. Second, the number of positions vacant for fewer than 6 months points to a decreased tendency for new vacancies to appear, as the current workforce remains in place, thus requiring lower turnover offsets. Third, the number of positions that have been vacant for longer than 12 months has fallen. The relative stability of this figure indicates that positions are not being allowed to be held open indefinitely, as the ranks of this segment have decreased, with the majority of these positions either having been filled or abolished.

Contractual Full-time Equivalents

Finally, contractuels fell by 25.2 FTEs statewide, as **Exhibit 7** indicates. SPMS agencies post a total reduction of 18.6 contractual FTEs and MDOT’s ranks decline by 26.0, while higher education institutions increase their complement by 19.4 positions. However, the net decline in FTEs does not coincide with decreased spending on contractual employees. Total expenditures for contractuels

Exhibit 7
Contractual Full-time Equivalent Positions
Fiscal 2010 Work Appropriation to 2011 Allowance

<u>Department/Service Area</u>	<u>2010 Work. Approp.</u>	<u>2011 Allowance</u>	<u># Difference</u>	<u>% Difference</u>
Health and Human Services				
Health and Mental Hygiene	352	330	-22	-6.4%
Human Resources	74	73	-1	-1.4%
Juvenile Services	126	98	-28	-22.1%
Subtotal	553	501	-51	-9.3%
Public Safety				
Public Safety and Correctional Services	380	377	-3	-0.9%
Police and Fire Marshal	32	33	1	3.1%
Subtotal	413	410	-2	-0.6%
Transportation	164	138	-26	-15.9%
Other Executive				
Legal (Excluding Judiciary)	59	41	-17	-29.7%
Executive and Administrative Control	159	173	14	9.1%
Financial and Revenue Administration	41	54	13	31.9%
Budget and Management	20	18	-2	-9.9%
Retirement	15	15	0	0.0%
General Services	27	45	18	65.3%
Natural Resources	390	373	-17	-4.3%
Agriculture	50	51	2	3.0%
Labor, Licensing, and Regulation	191	203	12	6.4%
MSDE and Other Education	208	229	21	9.9%
Housing and Community Development	63	66	3	4.8%
Business and Economic Development	18	6	-12	-69.2%
Environment	45	46	1	2.2%
Subtotal	1,285	1,320	35	2.7%
Executive Branch Subtotal	2,414	2,369	-45	-1.8%
Higher Education	6,277	6,296	19	0.3%
Judiciary	384	384	0	0.0%
Grand Total	9,074	9,049	-25	-0.3%

MSDE: Maryland State Department of Education
Source: Department of Budget and Management

increase by \$8.8 million over fiscal 2010 levels, with more than 50% of the growth coming from a reduction to the turnover offset. Lower turnover suggests existing relationships will continue with a lessened need to seek replacement contractual employees through the fiscal year.

Higher education institutions account for \$3.8 million, or 43%, of total expenditure growth in this area. Other agencies that receive general funds and have contractual spending growth are the Department of Public Safety and Correctional Services, whose increase is entirely through the turnover reduction, and the Judiciary. Federal funded contractual spending also increases, by over \$1.0 million, in areas such as Maryland Energy Administration, which has temporary federal assistance for the State Energy Program and energy assurance grants.

3. Employee Health Insurance Cost Savings Measures

Employee and retiree health insurance is the second largest personnel expense for the State, after salaries. **Exhibit 8** shows the nonbudgeted State and Employee Health and Welfare Benefits Fund’s expenditures and revenues from fiscal 2009 to 2011. DBM forecasts \$897.5 million will be paid into the fund in fiscal 2011 for the State’s subsidization of this benefit for employees and retirees. This amount is \$13.2 million more than the projected State contributions in the current fiscal year. The amounts that the State actually contributes into the fund are typically smaller than the allowance levels, by approximately 5% of costs, because the allotments for employee health insurance in the budget are tied to payroll contributions, and employee status changes push the final intake totals downward.

Exhibit 8
State Employee Health and Welfare Benefits Fund
Fiscal 2009-2011
(\$ in Millions)

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Projected</u>	<u>2011</u> <u>Projected</u>	<u>2010-11</u> <u>\$ Change</u>
Beginning Balance	\$246.1	\$137.9	\$158.5	\$20.6
Expenditures				
DBM – Personnel Administrative Cost	5.9	6.1	7.1	\$1.0
<i>Payments of Claims</i>				
Medical	725.0	734.2	789.5	55.3
Mental Health	13.8	15.8	17.2	1.4
Rx	320.8	350.2	385.2	35.0
Dental	40.4	38.9	39.0	0.1
Other	4.5	4.4	4.6	0.2
Payments to Providers	\$1,110.4	\$1,149.6	\$1,242.6	\$93.0
<i>% Growth in Payments</i>	<i>10.4%</i>	<i>3.5%</i>	<i>8.1%</i>	

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	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2010-11</u>
	<u>Actual</u>	<u>Projected</u>	<u>Projected</u>	<u>\$ Change</u>
Receipts				
State Agencies	772.2	884.3	897.5	\$13.2
Employee Contributions	152.6	167.6	167.6	0.0
Retiree Contributions	61.5	68.6	68.6	0.0
Rx Rebates, Recoveries, and Interest	15.9	49.7	46.8	-2.9
Total Receipts	\$1,002.2	\$1,170.2	\$1,180.5	\$10.3
<i>% Growth in Receipts</i>	<i>6.8%</i>	<i>16.8%</i>	<i>0.9%</i>	
Ending Balance	\$137.9	\$158.5	\$96.4	-\$62.1
Estimated IBNR	-82.3	-90.0	-96.4	-6.4
Reserve for Future Provider Payments	\$55.6	\$68.4	\$0.0	

DBM: Department of Budget and Management

IBNR: incurred but not received

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

Fiscal 2010 Balance Accumulation

Unexpected balances accumulated in fiscal 2010. The variation in year-to-year tallies in Exhibit 8 indicates the source of the changes:

Switch to Exclusive Provider Organizations (EPO): Prior to fiscal 2010, the health options available to members were Preferred Provider Organizations (PPO), Point of Service options (POS), and Health Maintenance Organizations (HMO). During the periodic health insurance contract procurement process in 2009, the State switched from HMO to EPO options. HMO plans are fully insured, meaning the State made the full premium payments for this relatively thrifty health option regardless of utilization levels. EPO, which are self-insured options like PPO and POS, provide potential long-term cost savings to the State. This is because members with low-utilization tendencies typically opt for the cheapest insurance option, and by switching to EPOs, the State can potentially save money because it will only subsidize the services required by this low-demand group. EPOs also offer members greater service networks with nationwide coverage, unlike the limited regional range of previous HMO providers.

Because the switch began at the start of fiscal 2010, the State realized a one-time savings, or payment lag, derived from ending its monthly payments to HMO providers while benefiting from a three-month processing wait before the initial EPO invoices arrive for payment. Hence, there is minimal growth in Medical expenditures seen from fiscal 2009 to 2010 in Exhibit 8. In fiscal 2011, however, the full payment amounts are included, creating a proportionally large annual cost increase.

This switch also materializes in the incurred but not received (IBNR) reserve level, which represents the amount need to be set aside for claims incurred in one year but not paid until the next. Adding another self-insured plan increased this amount by approximately \$9.0 million, according to Gabriel, Roeder, Smith (GRS), the State’s health benefit actuary.

Prescription Drug Program Changes: As part of the August 26, 2009 cost containment actions brought to BPW, DBM reduced the fiscal 2010 appropriation for employee health insurance to reflect expected savings from several changes to its prescription drug program. The changes, which began in the State plan on September 1, 2009, were:

- The “Generics First” program was implemented to promote the use of low-cost generics to replace the 56,000 prescriptions filled with costly brand name drugs in fiscal 2009 when generics were available. The plan offers members a \$0-copay for generic cholesterol, blood pressure, asthma, antidepressants, and ulcer/acid reflux drugs. These categories rank among the most widely used prescription types that can be replaced by generics. The savings for the program were calculated to be \$4.4 million, and should continue in future budget years.
- A management program for six specialty drug categories was begun. This option deals with the limitation of the supplies of certain costly medication to 30-day supplies instead of the normal 45-day allotment. These prescription types can provoke violent reactions in the user, causing the need to switch to another drug without finishing the full treatment. The waste of extended-term supplies of these prescriptions will be avoided and save an estimated \$3.6 million per year. This logic can be applied to all drugs offered by the State plan, as is common in many government-sponsored health plans. **Thus, DBM should discuss potential savings from switching all prescription supplies to 30 days.**
- Catalyst, the State’s Pharmacy Benefits Manager (PBM) will seek more favorable discounts for members who utilize 90-day supplies at retail, saving nearly \$3.3 million.
- Finally, users of asthma/allergy medication are being prompted to attempt more economical therapies before starting on expensive prescriptions like Singulair. This policy should yield \$1.1 million in savings.

Together, these changes increased the fund’s carryover balance to \$68.4 million, where it otherwise would have been depleted by cost increases reflected in the fiscal 2011 expenditure totals. Instead, the use of the accrued balance is represented by two policy decisions:

- the State’s contributions to health insurance is reduced by \$20.2 million through Section 19 of the budget bill; and
- member outlays will remain static as the Administration will hold employee and retiree premiums constant in fiscal 2011, in spite of rising costs.

Future Considerations

Consequently, the State will end fiscal 2011 with no reserve above the IBNR level. Any future growth in costs will henceforth be reflected in a dollar-for-dollar match in increased State and member contributions. If the 8.1% cost growth predicted for fiscal 2011 were to recur in fiscal 2012, the State would need to add \$123 million more to what is included in the allowance to meet costs, with total State funding exceeding \$1.0 billion. **DBM should discuss how savings from recently enacted prescription plan changes will be tracked and its plans for funding future cost increases.**

4. Numerous Injured Workers' Insurance Fund Transfers Require Examination

IWIF is the third-party workers' compensation claims administrator for the State of Maryland. The fiscal 2011 allowance and the BRFA of 2010 contemplate several actions that either transfer money to the general fund from a variety of IWIF sources or reduce the State's payments to IWIF for the claim administration services it renders.

BRFA Transfers – IWIF Operating Reserves and Future Disposition of Assets

The BRFA of 2010 proposes to transfer a total of \$26.5 million from various IWIF accounts to the State's general fund. The largest item is the transfer of \$20.0 million from IWIF's own reserves. These funds are not State monies previously disbursed to IWIF. Instead, they represent a utilization of reserves the quasi-governmental unit has accumulated through the course of its operations as a provider of worker's compensation insurance policies to businesses operating in Maryland. IWIF held reserves worth \$287.6 million as of December 2009 with respect to asset and investment holdings totaling \$1.68 billion. **Exhibit 9** shows IWIF's most recent balance sheets.

IWIF's operations are solely financed by premiums and investments, but its start-up capital and the majority of its plant assets, such as the various parcels of land constituting its current office location in Towson, were provided by the State. By controlling operating expenses, a decrease of \$1.2 million is planned for calendar 2010, and utilizing a conservative investment portfolio (88% in investment grade bonds) IWIF has accumulated its reserves whose primary function is to maintain rate stability. In 2008, IWIF reduced rates by 5%, even as its premiums written totals fell, due to reserve increases this business model was able to yield.

IWIF is subject to financial regulation by the Maryland Insurance Administration (MIA) to the same extent as all insurance companies. The MIA commissioner has not officially approved this \$20 million transfer from IWIF to the State, but such acceptance may not be required if the impact on reserves can reasonably be deemed an acceptable business decision of IWIF's board. Yet, it should be noted that IWIF is in the midst of an attempt to mutualize and become the Chesapeake Employer's

Exhibit 9
Injured Workers’ Insurance Fund Balance Sheet
Calendar 2007-2009

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2009</u>
Admitted Assets			
Bonds	\$1,343,879,563	\$1,364,289,011	\$1,255,372,817
Preferred stock	260,141	40,000	1,291,000
Common stock, at market	0	20,968,113	48,595,547
Real estate	9,472,763	9,481,223	10,363,239
Cash and short-term investments	186,874,947	188,164,285	286,977,557
Receivable for securities and other invested assets	158,021	289,460	2,915,617
Accrued interest on investments	12,672,734	12,344,274	11,897,312
Premiums receivable and unbilled premiums	71,495,322	74,185,935	55,521,980
Amounts receivable under reinsurance contracts	4,523,383	3,566,804	3,732,632
Other assets	8,570,243	6,528,580	6,407,159
Total Admitted Assets	\$1,637,907,117	\$1,679,857,685	\$1,683,074,861
Liabilities and Surplus			
Loss and loss adjustment expenses	\$1,241,820,000	\$1,286,820,000	\$1,298,070,000
Accounts payable and accrued expenses	11,497,342	12,962,467	8,944,999
Unearned premiums	116,000,076	97,600,802	82,209,728
Other liabilities	18,288,192	12,943,585	6,286,458
Total liabilities	1,387,605,610	1,410,326,854	1,395,511,186
Total surplus	250,301,507	269,530,831	287,563,675
Total Liabilities and Surplus	\$1,637,907,117	\$1,679,857,685	\$1,683,074,861

Note: Calendar 2009 amounts are reported on an unaudited, statutory-basis.

Source: Injured Workers’ Insurance Fund

Mutual Insurance Company, independent of State oversight. Currently, the General Assembly has the ability to liquidate IWIF and disburse the total amount of its reserves as it sees fit, as described in Section 10-127 of the Labor and Employment Article. If the mutualization process is completed, the State will lose this ability and any claim on the \$287 million held in reserve, not to mention a return on the funds and land it has invested in the business. Because of the longstanding financial relationship between the State and IWIF, the transfer of these reserves may cloud the process of IWIF’s move toward privatization. **Therefore, DLS recommends that the committees reject the \$20 million transfer to the general fund in the BRFA.**

BRFA Transfers – State Funds Held in Trust

Because the State is self-insured for worker’s compensation purposes, it pays the actual value of claims, as reported by IWIF in an annual assessment. Total paid claims values correspond to actual payments made two years prior. So, the fiscal 2011 assessment in the allowance reflects fiscal 2009 actual payouts across all agencies. Traditionally, the State prefunded the long-term liabilities associated with outstanding claims in the annual pay-as-you-go payments determined by the assessment, but such contributions have not occurred since fiscal 2009. Functionally, the assessment collected through the budget is placed into two bank accounts entrusted to IWIF – one for the operating expenses related to annual claims and another to prefund the long-term liability.

The BRFA of 2010 transfers \$6.0 million from the long-term liability account, leaving a balance of \$4.8 million. As seen in **Exhibit 10**, as the State has ceased paying into the long-term liability account after fiscal 2009, it has withdrawn nearly all of its prefunding to support the general fund. The current reserve level represents prefunding of 1.8% against the estimated \$275 million of long-term liabilities represented by outstanding claims. Second, \$500,000 is transferred from the current account to the general fund. After fiscal 2009, there was a \$174,000 carryover balance representing an overvaluing of the estimated cost with relation to the payments made by the State for that fiscal year. If a variance occurs that undervalues the total to be paid, it must be replaced via deficiencies in the following year’s budget, as was the case in fiscal 2005 and 2006. The size of the transfer from the current account, when summed with the reductions to be described below, greatly increases the probability of a deficiency appropriation, such that the transfer does not represent money that can be utilized in fiscal 2011. **DLS recommends that the committees reject the \$500,000 transfer to the general fund in the BRFA.**

Exhibit 10 IWIF Long-term Liability Account Levels Fiscal 2006-2010

	Unfunded Liability <u>Account # 78722</u>
Bank Balance @ 6/30/06	\$14,795,808
<i>Fiscal 2007 Transactions</i>	
Account Funding	10,000,000
Interest Income	1,275,429
Unrealized Gain/(Loss) on Security Holdings	10,940
Bank Balance @ 6/30/07	\$26,082,177
<i>Fiscal 2008 Transactions</i>	
Account Funding	6,078,308
Interest Income	1,235,647

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	Unfunded Liability <u>Account # 78722</u>
Bank Balance @ 6/30/08	\$33,396,132
<i>Fiscal 2009 Transactions</i>	
Account Funding	5,000,000
Interest Income	395,822
Bank Balance @ 6/30/09	\$38,791,954
<i>Fiscal 2010 Transactions</i>	
BRFA of 2009 Transfer (August 2009)	-28,000,000
BRFA of 2010	-6,000,000
Interest Income through December 2009	14,700
Balance	\$4,806,654
Estimated Long-term Liability end-June 2009	\$275,007,000
Unfunded Liability end-June 2009	\$270,200,346
<i>Percent Funded</i>	<i>1.75%</i>

BPW: Board of Public Works

BRFA: Budget Reconciliation and Financing Act

IWIF: Injured Workers' Insurance Fund

Source: Injured Workers' Insurance Fund; Deloitte Consulting

Budget Bill Reductions and Settlement Policy

As reported by DLS during the 2009 session, increased settlements of outstanding claims by IWIF since 2007 were adding significant short-term costs to the State's annual workers' compensation assessment, captured in Comptroller Subobject 0175. However, the act of settling cases is definitively beneficial in the long-run as it decreases future liabilities. Consequently, the 2009 *Joint Chairman's Report* (JCR) requested that DBM prepare a cost-benefit analysis of IWIF's handling of settlements that would yield a statewide policy on its desired trade-off between current dollars expenditures and future liability reductions.

In October 2009, DBM sent correspondence to the budget committees stating that it did not have the in-house resources to study this issue and that contracting assistance would cost between \$40,000 and \$60,000. Yet Sections 21 and 23 reference changes to the State's policy that result in fiscal 2011 savings of \$5.5 million. Two problems exist. One, DBM's communiqués with the General Assembly provide little detail on its settlement policy, other than that it will "limit settlements to neck and back injuries." No estimates for how the policy achieves savings have been shared with DLS. Two, since the charges in fiscal 2011 represent monies already paid by IWIF on the State's behalf during fiscal 2009; retroactive savings cannot be created by altering the settlement policy. In fiscal 2011, settlements of claims increased the budgeted outlay by \$14.2 million, while

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reducing future reserve requirements by \$31.4 million. This money has been spent. The reductions suggest a rolling forward of costs, spreading them across fiscal years such that they will be paid for in the fiscal 2012 budget. **DBM should detail its workers' compensation settlement policy and explain how the changes it has instituted yield savings.**

Recommended Actions

1. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That the Board of Public Works (BPW), in exercising its authority to create additional positions pursuant to Section 7-236 of the State Finance and Procurement Article, may authorize during the fiscal year no more than 50 positions in excess of the total number of authorized State positions on July 1, 2010, as determined by the Secretary of the Department 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. Notwithstanding anything contained in this section, BPW may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of men, which are necessary to protect the health and safety of the people of Maryland.

BPW may authorize the creation of additional positions within the Executive Branch provided that 1.25 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.

The numerical limitation on the creation of positions by BPW 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 the Department 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 the Department of Budget and Management shall certify and report to the General Assembly by June 30, 2011, the status of positions created with non-State funding sources during fiscal 2007, 2008, 2009, 2010, and 2011 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	Author	Due Date
Certification of the status of positions created with non-State funding sources during fiscal 2007, 2008, 2009, 2010, and 2011	Department of Budget and Management	June 30, 2011

2. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That immediately following the close of fiscal 2010, the Secretary of the Department 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 2010 and on the first day of fiscal 2011. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2010 and 2011 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 2011 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 2012 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 2011 Governor’s budget books shall also be provided.

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

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Information Request	Author	Due Date
Total number of full-time equivalents on June 30 and July 1, 2010	Department of Budget and Management	July 14, 2010
Report on the creation, transfer, or abolition of regular positions	Department of Budget and Management	As needed

3. Add the following section:

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 in Excel format listing the grade, salary, title, and incumbent of each position in the Executive Pay Plan (EPP) as of July 1, 2010, October 1, 2010, January 1, 2011, and April 1, 2011; 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	July 15, 2010 October 15, 2010 January 15, 2011
	Maryland Department of Transportation	April 15, 2011

4. Add the following section:

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.

5. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That the Secretary of the Department of Budget and Management shall include as an appendix in the fiscal 2012 Governor's budget books an accounting of the fiscal 2010 actual, fiscal 2011 working appropriation, fiscal 2012, and fiscal 2013 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 2012 budget books

Updates

1. Legislative Audit Issues Reaching Resolution

The Office of Legislative Audits (OLA) published its review of OPSB in February 2009. While the agency has since addressed the majority of the items raised by the auditors, the resolution of several key findings regarding the administration of pharmacy drug benefits, fraud monitoring, and internal auditing is still pending.

Status of Major Findings

- The largest dollar amount noted by the audit was \$10.1 million owed to the State from Caremark, the former PBM for unpaid contractual prescription discounts. DBM notes that it is in continued discussions with Caremark on the matter, but a review of additional files received from the former PBM has shown the total owed will be less than originally calculated. To date, no recoveries have been made, but the State's claim continues to move forward.
- On a related topic, DBM was pursuing recovery of another \$706,763 owed from Caremark for prescription rebates. The agency continues to pursue recuperation of this money as part of the larger claim mentioned above.
- Concern over the possibility of drug switching by the former PBM was also noted by the auditors. Consequently, GRS, the State's health insurance consultant, researched the issue and reported finding no evidence of inappropriate drug switching. These results have been accepted by OLA.
- The audit expressed concerns that the processes for reviewing the eligibility of reimbursement claims were insufficient to guard against possible fraud. DBM instituted an automated review process of these claims. In fiscal 2009, 98.6% of claims were verified through the automated review process. As a safeguard, OPSB performed a manual review of the remaining claims not verified during the automated review process, so that 100.0% of claims were reviewed for eligibility. The result was 99.76% of claims were deemed to be eligible for fiscal 2009.
- OLA cited delays in the auditing schedule of the State's health plan administrators. Subsequently, by filling the overseeing division's Director position, the health plan audits are on schedule and the State's contractor, Healthcare Data Management, is currently conducting the on-site portion of the audits for fiscal 2010.

2. Teleworking Program Restructured

The 2009 JCR instructed DBM to issue a report discussing the SPMS' oversight provisions regarding State employee teleworking and potential enhancements to these that would ensure maximum productivity in telework situations. DBM delivered its report in October 2009.

According to DBM, there were 820 State employees participating in the program during fiscal 2009, representing 19 agencies. Since the program's creation by Chapter 466 of 1999, agency-level supervision was considered sufficient to ensure desired productivity levels of teleworking employees. However, in 2006, concerns were reported to DBM about employees not working on days that they were allowed to work from home. A subsequent review resulted in the adoption of an audit program to confirm that agreements on teleworking between agencies and employees followed DBM specifications. While compliance was above 95%, the onus remained on the agency-level supervisors to ensure that employees were complying with their agreed-upon work schedules.

Enhancements to Program

In response to the 2009 session's legislative inquiry, DBM reviewed existing policy and identified further best practice improvements from other states that can enhance Maryland's program. DBM designed program changes based upon its research that became effective on July 1, 2009. These include:

- annually requiring signed telework agreements for all participating employees with contact information and regularly scheduled check-in periods;
- supervisor-designed checklists for determining employee eligibility for the program;
- daily supervisor approval of assignments and deliverables list, and affirmation of their completion upon the employee's return to the office; and
- review by agency Human Resource Offices of all telework plans.

DBM believes that these enhancements and a more periodic onsite auditing schedule, one occurred in November 2009 and another in January 2010, should reduce any instances of telework abuse. The agency does note that the increased stringency of the new regulations may need to be eased during times of emergency or potential pandemics, such as a swine or avian flu outbreak, and this flexibility is accommodated in the structure of the updated policy.

Current and Prior Year Budgets

Current and Prior Year Budgets **Department of Budget and Management – Personnel** **(\$ in Thousands)**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2009					
Legislative Appropriation	\$78,320	\$41,711	\$0	\$6,342	\$126,373
Deficiency Appropriation	1,218	0	0	0	1,218
Budget Amendments	-70,216	-25,512	0	317	-95,411
Cost Containment	-798	-5,000	0	0	-5,798
Reversions and Cancellations	-1,943	-11,199	0	-490	-13,632
Actual Expenditures	\$6,581	\$0	\$0	\$6,169	\$12,750
Fiscal 2010					
Legislative Appropriation	\$18,340	\$0	\$0	\$6,357	\$24,697
Cost Containment	-5,944	0	0	0	-5,944
Budget Amendments	0	0	0	75	75
Working Appropriation	\$12,396	\$0	\$0	\$6,432	\$18,828

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

Fiscal 2009

- The fiscal 2009 State employee 2% COLA was transferred to various State agencies after being centrally budgeted in DBM. The transfer resulted in general funds decreasing by a net \$62,612,311 and special funds decreasing by \$14,035,956. Subsequently, the BRFA of 2009 withdrew \$1,598,760 of these monies that had gone unspent to the general fund.
- Annual Salary Review classification-specific increases and recruitment bonuses were transferred to various State agencies after being centrally budgeted in DBM. The transfer resulted in general funds decreasing by \$6,706,766 and special funds decreasing by \$1,576,473.
- As part of the June 25, 2008 cost containment action, \$31,510 of DBM's general fund appropriation was reduced from salaries.
- As part of the October 15, 2008 cost containment action, \$5,000,000 of special funds for the Chesapeake Bay 2010 Fund and \$571,748 of general funds were reduced for vacant position reductions, cessation of Other Post Employment Benefits prefunding was ceased, and the use of statewide employee health insurance balances in lieu of budgeted funds.
- As part of the March 2009 cost containment action, \$194,872 of DBM's general fund appropriation was reduced from salaries for employee furloughs.
- Realignment of \$208,800 of general funds related to employee salaries out of DBM – Personnel and into the DBM Secretary's Office.
- A general fund budget amendment disbursed \$687,855 in general funds appropriated for items negotiated through union contracts and centrally budgeted in DBM to the intended receiving agencies.
- An amendment transferred \$300,000 in special funds for helicopter procurement to the Maryland Institute for Emergency Medical Services Systems and MDOT.
- Two special fund amendments transferred a total of \$9,599,706 for disbursement of Chesapeake Bay 2010 Fund monies.
- Eight reimbursable fund amendments added \$317,000 in general funds for Local Area Network support provided in connection with the development of the Statewide Personnel System, new employee drug testing programs, and the MACRO grant program.
- Special funds of \$11,198,761 were canceled, of which \$10.4 million resulted from underattainment of Bay Fund revenues and \$798,000 represented unneeded COLA funds.

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- The fiscal 2010 budget contained general fund deficiencies of \$1,143,200 for centrally funded MD Correctional Enterprises program and \$74,994 for telecommunication support.

Fiscal 2010

- The cost containment action of August 2009 reduced the DBM – Personnel appropriation by \$5,395,666 to represent general fund savings anticipated for changes to the statewide employee/retiree prescription insurance program, and by \$247,845 to represent savings from employee furloughs.
- The cost containment action of November 2009 reduced the DBM – Personnel appropriation by \$300,000 for salary savings from positions held vacant.
- Two reimbursable fund amendments increased the appropriation by \$75,000, with \$50,000 added for the MACRO grant program and \$25,000 for test monitors.

Audit Findings

Audit Period for Last Audit:	November 17, 2004 – November 15, 2007
Issue Date:	February 2009
Number of Findings:	14
Number of Repeat Findings:	5
% of Repeat Findings:	36%
Rating: (if applicable)	

- Finding 1:*** OPSB did not ensure, on a timely basis, that it received all required contractual drug discounts from its former PBM for certain drugs used by the State’s plan members. Moreover, the former PBM did not provide to OPSB all required discounts and, as a result, the State may have paid as much as \$10.1 million more than required for plan years 2005 and 2006.
- Finding 2:*** OPSB’s former PBM did not provide the State approximately \$700,000 in required drug manufacturer rebates for the 2006 plan year.
- Finding 3:*** OPSB had not taken any action to address concerns related to improper drug switching by OPSB’s former PBM.
- Finding 4:*** OPSB did not timely review and refer cases of possible prescription narcotic drug abuse by participants to appropriate State legal authorities.
- Finding 5:*** The Maryland Rx Program has not been established as required by State law.
- Finding 6:*** OPSB did not adequately pursue recovery for claims paid totaling approximately \$534,000 related to apparent fraudulent medical claims submitted by certain State employees.
- Finding 7:*** OPSB did not adequately follow up and resolve certain claim payments identified as potentially ineligible.
- Finding 8:*** OPSB did not receive timely and complete audit reports related to the State’s health benefit plan administrators, as required.
- Finding 9:*** OPSB did not adequately monitor the qualifications of certain substituted personnel assigned to contracted audits of State health benefit plan administrators and did not authorize related personnel changes as required.
- Finding 10:*** Monitoring and configuration of the Benefits Administration System were not adequate.

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Finding 11: The personnel transaction system's data transmission, database access, and account and password controls were not adequate.

Finding 12: Certain procedures related to the procurement and awarding of State health care and related service contracts need improvement.

Finding 13: Cash receipts collected by OPSB were not adequately controlled.

Finding 14: **OPSB had not established adequate monitoring procedures for certain employee leave programs.**

*Bold denotes item repeated in full or part from preceding audit report.

**State Agency Retirement Systems
Budgeted Rates and Contributions
Fiscal 2009-2011
(\$ in Millions)**

<u>System</u>	<u>Actual 2009</u>	<u>Approved Rates</u>	<u>Corrected Rates</u>	<u>Working Appropriation 2010</u>	<u>Approved Rates</u>	<u>Allowance 2011</u>	<u>Approved Rates</u>	<u>Change 2010 to 2011</u>
Employees	\$242	8.73%	9.01%	\$291	9.93%	\$345	11.69%	\$53
Teachers	17	11.70%	12.92%	23	13.15%	24	14.34%	1
State Police	17	20.53%	25.27%	29	30.79%	51	57.03%	22
Judges	17	43.61%	44.09%	20	48.89%	24	59.07%	4
LEOPS	19	36.99%	39.90%	23	38.63%	29	47.67%	5
State Payment	\$312			\$386		\$472		\$86

LEOPS: Law Enforcement Officers Pension System

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

Description of Position Changes in Fiscal 2011 Allowance

Positions Added

- **State Lottery Agency (11):** Provide staff in new Video Lottery Terminal facilities as required by Chapter 4 of the 2007 special session.
- **Department of State Police (10):** Trooper positions required to monitor speed cameras in designated work zones in Chapter 500 of 2009.
- **Maryland Department of Agriculture (7):** Soil Conservation Planner positions to follow requirements of the Agricultural Stewardship Act of 2006.
- **Governor's Office for Children (5):** Administrators of Early Intervention and Prevention contracts will now be handled at State level because related local funding has been reduced.
- **The Office of the Deaf and Hard of Hearing (1):** Contractual conversion of Assistant Director.
- **Subsequent Injury Fund (0.4):** Conversion of a 0.6 Fiscal/IT Services position to a full one.

Positions Deleted

- **Department of Human Resources (-50):** The reductions are primarily of vacant administrative positions, chiefly found in Local General Administration and Information Technology Services. Two filled positions were also abolished, and 1 position was transferred out. Section 24 of the budget bill also abolishes 15 to-be-determined local department administrative positions.
- **State Department of Assessments and Taxation (-35):** Positions abolished primarily comprise vacant property assessor positions in Real Property Valuation, Office of Information Technology, and Property Tax Credit programs.
- **University of Maryland Biotechnology Institute (-16):** Elimination of Central Administration.
- **Office of Public Defender (-15):** Reductions are mainly investigator positions abolished for cost containment purposes.
- **Department of Juvenile Services (-14):** Position reductions chiefly from education staff.

- **Department of Health and Mental Hygiene (-13.2):** The department had a net reduction after 21.5 abolitions, mostly from the change in Assisted Living services at Eastern Shore Hospital and reductions to clinical and administrative staff at Deer’s Head and Western Maryland Hospital Centers. Offsetting this, 6.8 new positions are created in the various Health Occupation Boards as are 1.5 positions to inspect and certify forensic labs, as required by Chapter 147 of 2007.
- **Maryland Higher Education Commission (-12):** Reductions primarily to administrative, grants-related, and research staff.
- **Department of Labor, Licensing, and Regulation (-11.6):** Represents the elimination of vacant teacher positions under the Correctional Education program.
- **Military Department (-6):** The allowance abolishes six administrative and maintenance positions.

Other Changes

- **Department of Veteran Affairs (1):** One position was transferred in from the Office of the Governor.
- **Department of Information Technology (1):** A senior program manager position was transferred in, for Geographic Information Systems-related duties.
- **Department of Business and Economic Development (-3):** Four travel information aide positions were abolished and 1 industrial development position was created.
- **Department of Natural Resources (-2):** One position in Land Acquisition and Planning, and another in Watershed Services were abolished.
- **Maryland Department of Disabilities (-2):** The allowance abolishes the Director of Housing Policy position and a web content manager position.
- **Governor’s Office (-2):** One administrative position is abolished and a Deputy Chief of Staff position was transferred out of the department.
- **Secretary of State (-2):** Two positions were abolished due to the consolidation of the Division of State Documents.
- **Maryland Commission on Human Relations (-2):** Two Human Relations Representative positions were abolished.

- **Executive Department Boards, Commissions, and Offices (-1.2):** 2.2 administrative positions were abolished as the Governor’s Office of Community Initiatives consolidates duties, and a Health Care Alternative Dispute Resolution Office position is downgraded. One position transfers in, to assist with faith-based community outreach.
- **Office of Administrative Hearings (-1):** Abolishes one vacant Administrative Law Judge position.
- **Office of the Comptroller (-1):** The allowance abolishes one vacant recovery audit position within the General Accounting Division.
- **Frostburg State University (-1):** One vacant position was abolished due to increased costs.
- **Maryland Department of Planning (-0.5):** An Office Secretary position that had been vacant over a year was abolished in Planning Services.

**Statewide Departmental Full Time Equivalent Counts
Fiscal 2000 to 2009**

<u>Department/Service Area</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Health and Human Services										
Health and Mental Hygiene	8,241	8,413	8,555	8,212	7,710	7,548	7,631	7,692	7,494	7,237
Human Resources	6,778	7,652	7,364	7,398	7,140	6,737	7,005	7,021	6,961	6,851
Juvenile Services	1,318	1,613	2,123	1,996	1,939	1,963	2,081	2,080	2,222	2,272
Subtotal	16,337	17,678	18,041	17,606	16,789	16,248	16,717	16,793	16,677	16,360
Public Safety										
Public Safety and Correctional Services	10,874	11,228	11,663	11,563	11,231	11,195	11,279	11,503	11,642	11,627
Police and Fire Marshal	2,516	2,556	2,590	2,575	2,480	2,479	2,464	2,472	2,458	2,441
Subtotal	13,389	13,783	14,252	14,137	13,711	13,674	13,742	13,974	14,099	14,067
Transportation	9,194	9,256	9,538	9,319	9,096	9,048	9,012	9,021	8,994	9,135
Other Executive										
Legal (Excluding Judiciary)	1,237	1,318	1,364	1,397	1,445	1,511	1,563	1,584	1,582	1,571
Executive and Administrative Control	1,522	1,564	1,603	1,590	1,572	1,567	1,650	1,666	1,661	1,661
Financial and Revenue Administration	2,111	2,141	2,151	2,095	2,032	2,034	2,028	2,026	2,025	1,990
Budget and Management	460	510	517	531	472	468	431	442	435	447
Retirement	179	187	194	185	181	180	186	201	203	204
General Services	656	689	793	807	728	712	643	636	638	611
Natural Resources	1,584	1,588	1,618	1,490	1,454	1,416	1,367	1,369	1,344	1,359
Agriculture	476	471	480	439	436	430	428	436	437	427
Labor, Licensing, and Regulation	1,670	1,708	1,706	1,627	1,519	1,490	1,460	1,475	1,493	1,484
MSDE and Other Education	1,882	1,905	1,956	2,020	1,892	1,939	2,140	2,185	2,181	2,138

<u>Department/Service Area</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Housing and Community Development	417	421	416	402	366	386	318	316	311	311
Business and Economic Development	307	319	324	309	299	298	292	292	276	259
Environment	956	1,011	1,028	975	951	954	949	951	957	979
Subtotal	13,456	13,831	14,149	13,866	13,346	13,385	13,453	13,576	13,541	13,439
Executive Branch Subtotal	52,375	54,549	55,980	54,927	52,941	52,353	52,924	53,364	53,311	53,001
Higher Education	19,616	20,304	21,393	21,213	20,967	21,227	21,714	22,794	23,613	23,768
Judiciary	2,795	2,870	3,010	3,224	3,224	3,224	3,291	3,397	3,498	3,569
Legislature	720	723	730	730	730	740	744	747	747	747
Grand Total	75,506	78,446	81,113	80,094	77,861	77,544	78,673	80,302	81,169	81,085

MSDE: Maryland State Department of Education

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

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

<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	116.00	131.50	131.50	0	0%
02 Contractual	1.40	0.20	0.20	0	0%
Total Positions	117.40	131.70	131.70	0	0%
Objects					
01 Salaries and Wages	\$ 8,057,979	\$ 15,309,102	\$ 10,164,513	-\$ 5,144,589	-33.6%
02 Technical and Spec. Fees	88,154	26,058	8,090	-17,968	-69.0%
03 Communication	315,102	228,393	247,980	19,587	8.6%
04 Travel	30,028	30,500	18,000	-12,500	-41.0%
08 Contractual Services	4,173,019	3,041,612	3,562,970	521,358	17.1%
09 Supplies and Materials	23,558	40,000	40,000	0	0%
10 Equipment – Replacement	2,799	59,100	24,290	-34,810	-58.9%
12 Grants, Subsidies, and Contributions	17,943	50,000	50,000	0	0%
13 Fixed Charges	41,408	43,309	202,791	159,482	368.2%
Total Objects	\$ 12,749,990	\$ 18,828,074	\$ 14,318,634	-\$ 4,509,440	-24.0%
Funds					
01 General Fund	\$ 6,581,449	\$ 12,396,493	\$ 6,907,873	-\$ 5,488,620	-44.3%
09 Reimbursable Fund	6,168,541	6,431,581	7,410,761	979,180	15.2%
Total Funds	\$ 12,749,990	\$ 18,828,074	\$ 14,318,634	-\$ 4,509,440	-24.0%

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary
Department of Budget and Management - Personnel**

	FY09	FY10	FY11	FY10 - FY11	
<u>Program/Unit</u>	<u>Actual</u>	<u>Wrk Approp</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
01 Executive Direction	\$ 1,472,906	\$ 1,679,022	\$ 1,800,289	\$ 121,267	7.2%
02 Division of Employee Benefits	5,906,041	6,105,175	7,139,284	1,034,109	16.9%
04 Division of Employee Relations	942,057	912,231	942,594	30,363	3.3%
06 Division of Classification and Salary	1,034,646	2,056,972	2,104,931	47,959	2.3%
07 Division of Recruitment and Examination	2,026,146	1,914,528	2,081,536	167,008	8.7%
08 Statewide Expenses	1,368,194	6,160,146	250,000	-5,910,146	-95.9%
Total Expenditures	\$ 12,749,990	\$ 18,828,074	\$ 14,318,634	-\$ 4,509,440	-24.0%
General Fund	\$ 6,581,449	\$ 12,396,493	\$ 6,907,873	-\$ 5,488,620	-44.3%
Total Appropriations	\$ 6,581,449	\$ 12,396,493	\$ 6,907,873	-\$ 5,488,620	-44.3%
Reimbursable Fund	\$ 6,168,541	\$ 6,431,581	\$ 7,410,761	\$ 979,180	15.2%
Total Funds	\$ 12,749,990	\$ 18,828,074	\$ 14,318,634	-\$ 4,509,440	-24.0%

Note: The fiscal 2010 appropriation does not include deficiencies.