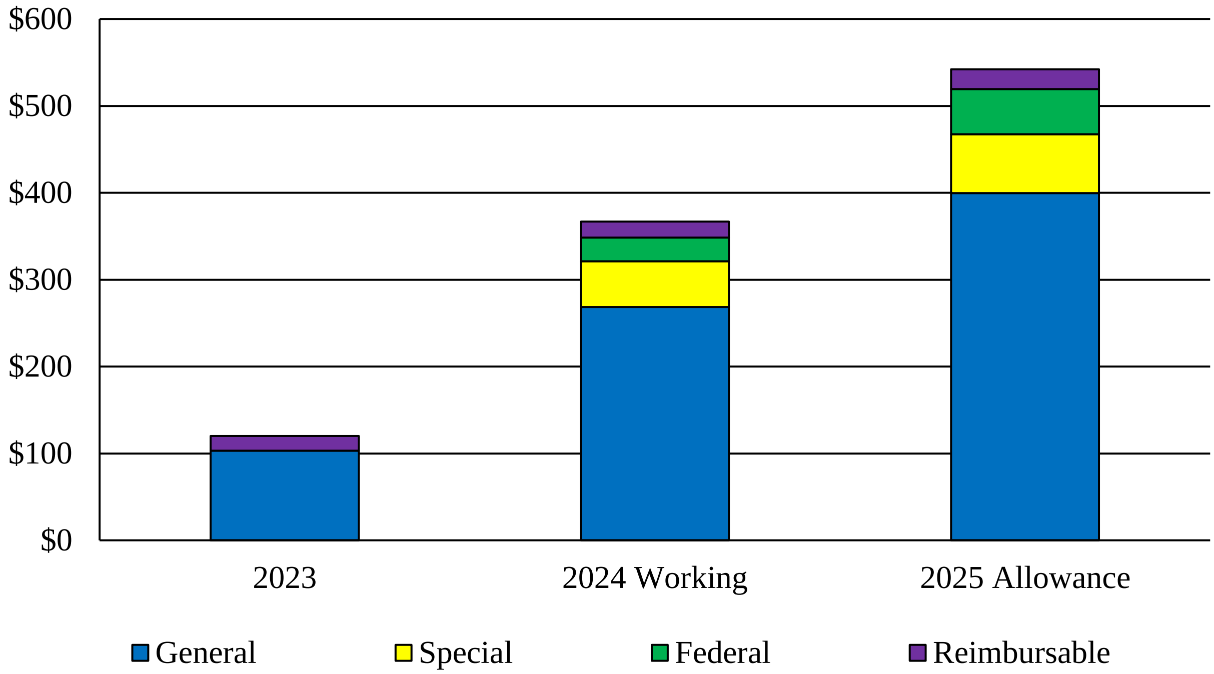
F10A02
Department of Budget and Management – Personnel

Executive Summary

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

Operating Budget Summary

Fiscal 2025 Budget Increases $175.3 Million, or 47.8%, to $542.2 Million
($ in Millions)



Note: The fiscal 2024 working appropriation includes deficiencies and targeted reversions.

- The fiscal 2024 working appropriation includes $274.1 million ($202.5 million in general funds) for the purpose of statewide salary actions that went into effect in calendar 2023. Language in the fiscal 2024 Budget Bill prohibited the transfer of some of the funds prior to January 1, 2024, and expressed intent that funds be transferred by budget amendment to State agencies that have made progress in filling vacant positions.

For further information contact: Jason A. Kramer Jason.Kramer@mlis.state.md.us

Key Observations

- ***Antidiabetic Prescription Usage Increases:*** Antidiabetic medications represent the largest share of prescription drug costs in the State prescription drug plan; the utilization of this category of drugs has increased substantially.

- ***Vacancies Improve:*** The number of vacant positions in State government has been declining for a full year, the first sustained decline not due to the abolition of vacant positions in at least 20 years.

- ***Statewide Funds for Salary Increases:*** The fiscal 2025 allowance includes $454.7 million for cost-of-living adjustments (COLA), increments, bonuses, and other salary increases.

- ***Reduced Health Insurance Required:*** The State share of the contribution to the Employee and Retiree Health Insurance Account declines in fiscal 2025 due to expected savings related to the end of prescription drug coverage for Medicare-eligible retirees.

- ***Part D Transition Underway:*** DBM has begun informing Medicare-eligible retirees about the process for switching their prescription drug coverage to Medicare Part D for calendar 2025.

Operating Budget Recommended Actions

		Funds
1.	Increase turnover expectancy for a new position to 25%.	-$ 36,651
2.	Adopt committee narrative requesting the department to submit closeout information on the Employee and Retiree Health Insurance Account.	
3.	Adopt committee narrative requesting the department to submit quarterly reports on prescription, medical, and dental plan performance reports.	
4.	Add language restricting funding to be used only for an increase in certain salary scales.	
5.	Reduce funds for the supplemental pension contribution.	-$ 24,208,211
6.	Reduce funding to account for savings from the high number of vacant positions.	-$ 40,000,000
7.	Delete funding for the annual salary review.	-$ 24,590,796
8.	Add a section for annual language restricting the movement of employees into abolished positions.	

9. Add a section requiring monthly reporting on the State's workers' compensation account held by the Injured Workers' Insurance Fund.

10. Add a section for the annual "Rule of 100" limit on position creation.

11. Add a section for annual language requiring a report on State positions.

12. Add a section for annual language requiring reporting of employee and retiree health insurance receipts and spending.

Total Net Change	**-$ 103,832,411**

Budget Reconciliation and Financing Act Recommended Actions

1. Add a provision permanently reducing the mandated reinvestment retirement savings contribution to $50 million and repealing the requirement that the pension contribution be reduced by the amount of administrative fees paid by local school districts and community colleges.

Operating Budget Analysis

Program Description

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

- ***Executive Direction:*** The program includes the Employee and Labor Relations Division, Employee Assistance Program, the Division of Shared Services, and the Division of Contract Administration.

- ***Division of Employee Benefits:*** The division administers the State's health insurance program. Costs for administration are included in this budget, while costs for health benefits are funded separately in the Employee and Retiree Health Insurance Account.

- ***Division of Personnel Services:*** The division provides guidance on personnel matters and processes payroll for all SPMS employees while also acting as the human resources office for DBM and 24 other State agencies.

- ***Division of Classification and Salary:*** The division maintains the State's position classification plan and develops the State's salary and wage program.

- ***Division of Recruitment and Examination:*** The division maintains the State's online recruitment tool (JobAps) and administers a ranking system to assist hiring managers.

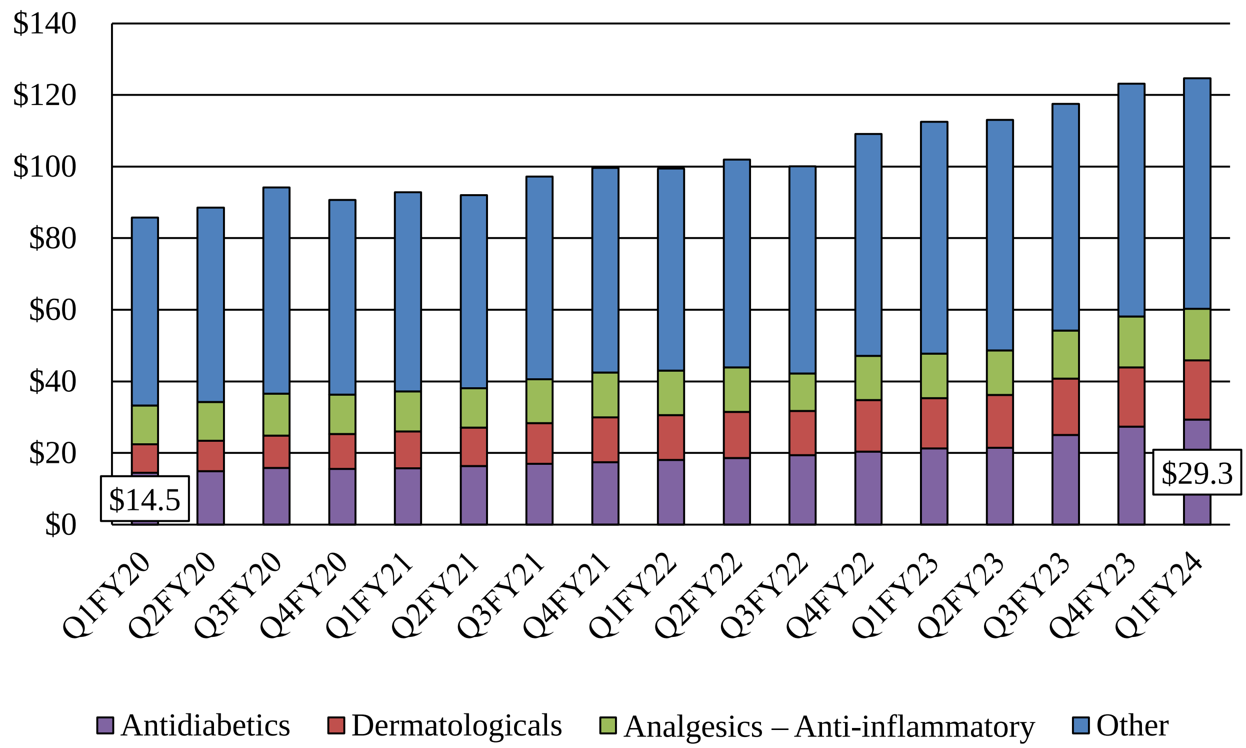
Performance Analysis: Managing for Results

1. Antidiabetic Drugs Driving Prescription Plan Costs

In an effort to address escalating medical and prescription drug costs, the State implemented a wellness program in calendar 2015. Members can earn waived copays for primary care physician (PCP) visits if members complete a health risk assessment and designate a PCP and can receive $5 off specialist copays by completing age- or gender-specific preventive screenings. In calendar 2022, across more than 217,000 visits, the State plan subsidized member copays at a cost of $1.9 million. The State's wellness program is an effort to promote employee health and to limit the growth in costs due to chronic health problems.

Diabetes is a major driver of both health and prescription drug costs. Antidiabetic drugs have consistently made up the largest share of prescription drug costs in the State's health insurance plan. In the first quarter of fiscal 2020, the cost of State prescription plan members' antidiabetic drugs was $14.5 million, or 17%, of prescription drug claims; these claims were from 11,352 individuals. By the first quarter of fiscal 2024, as shown in **Exhibit 1**, the costs of antidiabetic drugs rose to $29.3 million, or 23%, of prescription drug claims to the State. The number of individuals using antidiabetic drugs rose to 14,927, a 31% increase compared to fiscal 2020, which indicates that the cost increase is due both to the number of people using the medications rather and an increase in the price of the medications. **DBM should comment on the increase in usage of these medications and efforts to limit their impact on costs to the State prescription drug plan.**

Exhibit 1
Prescription Drug Costs by Drug Category
Fiscal 2020-2024
($ in Millions)



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

Fiscal 2024

Implementation of Legislative Priorities

Section 19 of Chapter 101 of 2023 (the fiscal 2024 Budget Bill) included $11.95 million in general funds, contingent on HB 982 of 2023 (which became Chapter 100), in order to provide an employer match of up to $600 to employee contributions to their supplemental retirement account. Chapter 100 requires this match to be provided. The same amount is also provided in the fiscal 2025 allowance in the Statewide Program at DBM. Based on estimates from Maryland Supplemental Retirement Plans, fiscal 2024 costs to the State for the employer contribution match will be approximately $13.4 million annually in total funds. While not budgeted, special and federal funds for personnel costs will also be used to pay for the match.

Planned Reversion

The Governor's fiscal 2025 budget plan includes a planned reversion of $30 million in general funds in fiscal 2024 from the DBM Statewide Program due to savings resulting from higher than anticipated vacancies in State agencies. The number of vacancies in State government is discussed in further detail in the Issues section of this analysis.

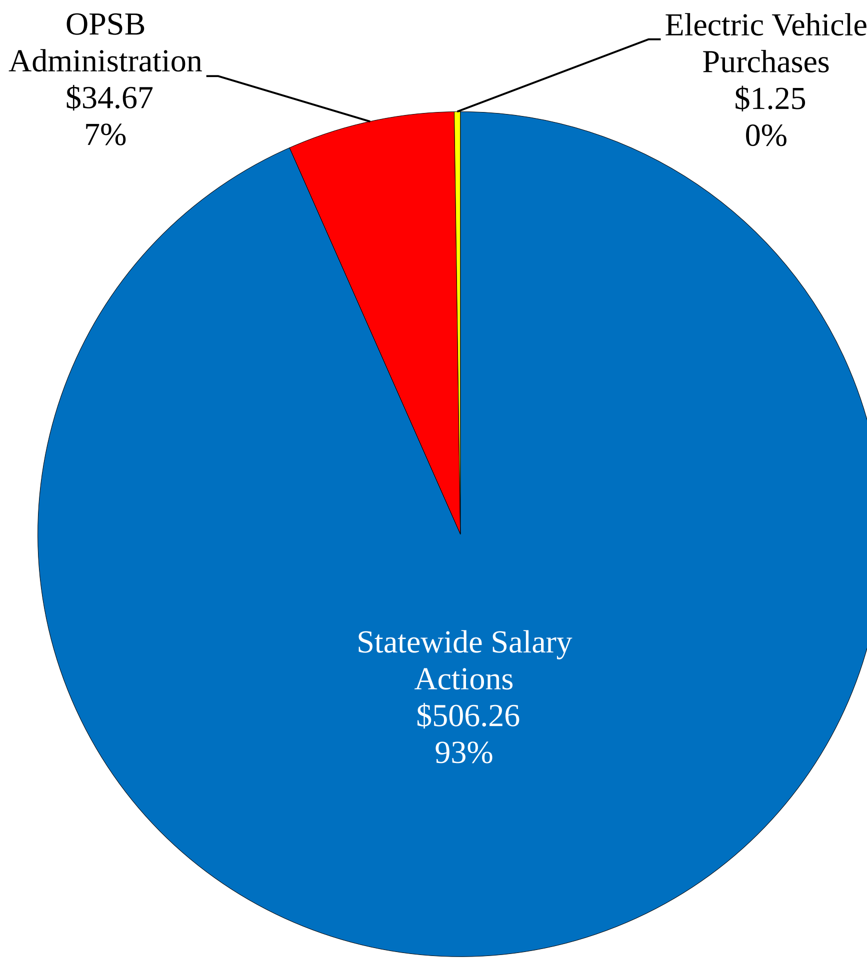
Proposed Deficiency

The fiscal 2025 budget also includes a proposed general fund deficiency appropriation for fiscal 2024 of $38,309 to increase 2 positions to full-time status.

Fiscal 2025 Overview of Agency Spending

The fiscal 2025 allowance for OPSB is $542.2 million. **Exhibit 2** provides an overview of the fiscal 2025 allowance for OPSB. Statewide salary actions make up 93% of the allowance. Funding for the administration of OPSB accounts for most of the remaining 7% of the fiscal 2025 allowance. The fiscal 2025 budget also includes $1.25 million in special funds from the Strategic Energy Investment Fund to purchase plug-in hybrid and fully electric vehicles for State agencies.

Exhibit 2
Overview of Agency Spending
Fiscal 2025 Allowance
($ in Millions)



OPSB: Office of Personnel Services and Benefits

Source: Governor's Fiscal 2025 Budget Books

Exhibit 3 shows funding included in the Statewide Program, which totals $507.5 million in fiscal 2025.

Exhibit 3
Statewide Program
Fiscal 2025
($ in Millions)

Purpose	Funding
Salary Increases	
Regular Employee 3% COLA	$213.6
Increments	136.4
Experience-Based Increments	45.9
Annual Salary Review	24.6
SLEOLA COLA	14.1
DPSCS Bonuses	8.7
Shift Differential	6.1
SLEOLA Increments	5.2
Fringe Benefits	
Retirement Reinvestment	74.2
Health Insurance for New Positions	21.4
Supplemental Retirement Match	12.0
Cost Savings	
Unemployment Rate Reduction	-6.0
Retiree Prescription Drug Reduction	-50.0
Other	
Electric Vehicle Purchases	1.3
Total	**$507.5**

COLA: cost-of-living adjustment
DPSCS: Department of Public Safety and Correctional Services
SLEOLA: State Law Enforcement Officers Labor Alliance

Source: Department of Budget and Management

Salary Increases

The largest share of funding – $454.7 million – is for salary increases for State employees that were agreed to with State employee bargaining units. The increases include a 3% salary increase for most employees effective July 1, 2024, as well as a one-step increment on the salary scale in fiscal 2025. Additionally, employees who have been employed continuously since June 30, 2019, would earn a second step increase on the salary scale. Funding for this additional step increase totals $46 million ($35.4 million in general funds), which would be enough to provide an additional 0.6% general salary increase to all State employees.

State Law Enforcement Officers Labor Alliance (SLEOLA) represented employees will receive a 5% salary increase and an increment. Funding is also provided for previously agreed to recruitment and retention bonuses for correctional officers. The State will also provide American Federation of State, County, and Municipal Employees (AFSCME) and Maryland Professional Employees Council represented employees with larger shift differentials for working outside of normal working hours (increase from $0.625 an hour to $1 an hour).

Fringe Benefits

Funds are also provided in the Statewide Program for the retirement reinvestment contribution. Since pension reforms were enacted in calendar 2011, the State has contributed additional funding beyond the actuarially required amount as a way to recognize the savings generated by the reforms and to assist in reaching the pension plan's funding goals sooner. In recent years, this additional contribution has been built into the pension plan contribution rates used to calculate the budgeted pension costs in each agency's budget. For the fiscal 2025 budget, the rates used to calculate the agency pension costs do not reflect any reinvestment savings contribution; instead, a $74.2 million appropriation ($66.2 million in general funds) is included in the Statewide Program for this purpose. **The Department of Legislative Services (DLS) recommends permanently reducing the supplemental pension contribution amount by $25 million (allowing for a reduction of $21.6 million in general funds), which will still allow the State to accelerate progress toward full funding while recognizing the State has ongoing structural budget challenges.**

A provision of State law requires that the pension contribution be reduced by the amount of administrative fees paid by local school districts and community colleges. This issue is discussed in further detail in the analysis for G20J01 – State Retirement Agency. Due to this provision, the reinvestment retirement contribution has been used to ensure that State pension contributions meet actuarial requirements. **DLS recommends adding a provision to the Budget Reconciliation and Financing Act (BRFA) of 2024 to repeal the requirement to reduce pension funding by the amount of administrative fees paid by local school districts and community colleges effective for fiscal 2026.** This action will result in properly funding the pension system before the overpayment.

Cost Savings

Other centrally budgeted fringe benefit costs include $21.4 million for health insurance costs for new employees and $11.95 million for employer match of employee contributions to their supplemental retirement plans, discussed earlier in this analysis.

The Statewide Program also accounts for two items that reduce overall funding in the program to reflect anticipated savings that will be allocated to State agency budgets by amendment:

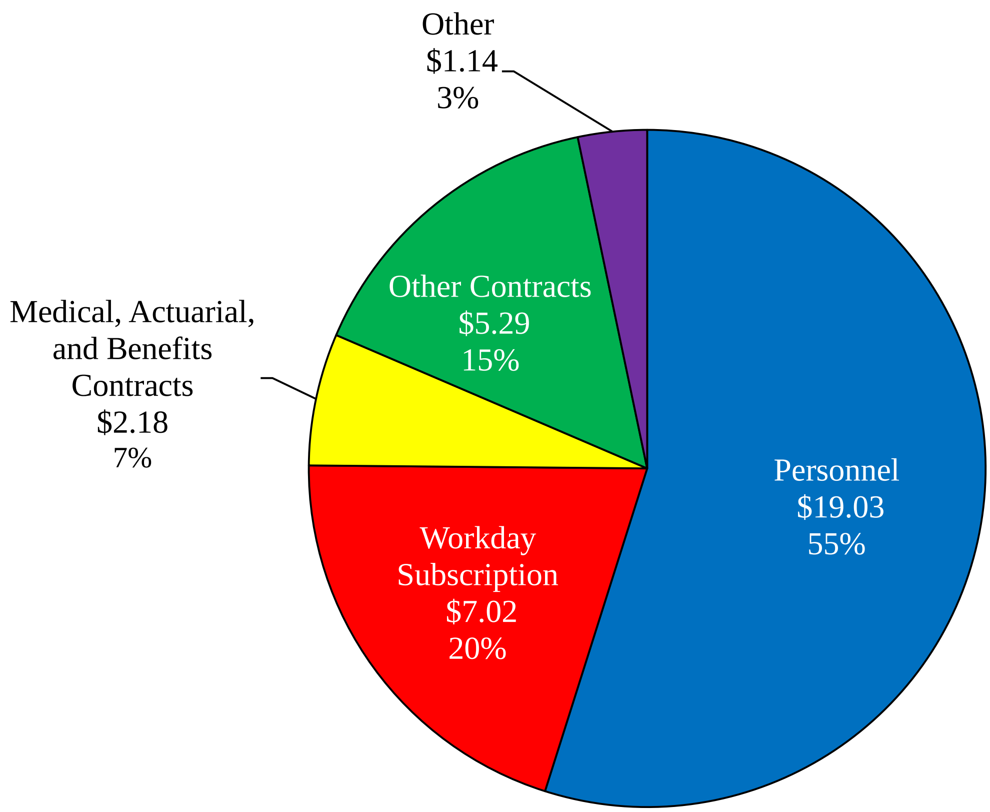
- a $50 million reduction to recognize a half-year of savings due to the transition of retiree prescription drug coverage to Medicare Part D (discussed in the Issue 3 of this analysis); and

- a $6 million reduction in Unemployment Insurance (UI) contributions.

The State, which is self-insured for UI, has seen growth in the unemployment fund balance. The growth is due to relatively lower expenses out of the fund; specifically, claims have averaged less than $5 million annually over the past five fiscal years. The reduction reflects DBM's plan to lower the UI contribution rate from 0.28% to 0.14% in fiscal 2025. A provision in the BRFA would authorize a transfer of $40 million from the UI fund to the General Fund. The projected fiscal 2024 closing balance of the fund is $76.5 million prior to this proposed transfer.

Exhibit 4 provides information on OPSB spending in fiscal 2025 excluding the Statewide Program. Personnel accounts for 55% of the fiscal 2025 allowance, while the Workday subscription accounts for 20% of the planned spending. The subscription is for the information technology platform on which State employee personnel and human resources functions are handled.

Exhibit 4
Overview of OPSB Administrative Spending
Fiscal 2025 Allowance
($ in Millions)



OPSB: Office of Personnel Benefits and Services

Source: Governor's Fiscal 2025 Budget Books

Proposed Budget Change

As shown in **Exhibit 5**, the fiscal 2025 allowance increases by $175.3 million compared to the fiscal 2024 working appropriation. Of this amount, $169.3 million is due to funding for Statewide salary actions. Personnel costs increase by $1.7 million for OPSB administration, primarily due to the impact of fiscal 2024 salary increases. Of this amount, approximately $358,000 is for one new position and 2 contractual conversions.

Exhibit 5
Proposed Budget
Department of Budget and Management – Personnel
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2023 Actual	$103,283	$0	$0	$16,739	$120,022
Fiscal 2024 Working Appropriation	268,387	52,730	27,178	18,571	366,866
Fiscal 2025 Allowance	399,566	67,812	52,129	22,670	542,177
Fiscal 2024-2025 Amount Change	$131,179	$15,082	$24,951	$4,099	$175,311
Fiscal 2024-2-25 Percent Change	48.9%	28.6%	91.8%	22.1%	47.8%

Where It Goes:	Change
Personnel Expenses	
Salary increases and associated fringe benefits, including fiscal 2024 salary actions	$1,209
2 contractual conversions	192
1 new position	167
Employee and retiree health insurance	53
Reducing turnover rate from 3.5% to 3.3%	35
Other OPSB Changes	
Workday subscription, including the implementation of the learning module	1,666
Claims adjudication system	1,000
Open enrollment mailers	748
Statewide services cost allocation, including realignment of DoIT costs within DBM	631
Online grievance tracking system	450
Contract for medical and prescription auditing	254
JobAps	101
Claims adjudication related to annual eligibility audit	100
Other contractual changes	86
Subscriptions	59
Contractual personnel increases	37
New vendor for Employee Benefits Division printing and mailing contract	-126
Contractual personnel savings due to two contractual conversions	-155
Rent	-212
Segal consulting contract to reflect actual experience	-317

Where It Goes:	**Change**
Statewide Program Changes	
Fiscal 2025 statewide COLAs and increments	415,304
Retirement reinvestment contribution budgeted centrally	74,208
Health insurance costs for new positions	21,414
Negotiated increase in shift differential	6,100
Other Statewide personnel costs	-22
Reduction to State unemployment insurance contribution	-6,000
Annual salary review	-8,485
Recruitment and retention bonuses for correctional officers at DPSCS	-9,131
Half-year savings due to shifting retiree prescription drug coverage to Medicare Part D	-50,000
Fiscal 2024 Statewide COLAs and increments, including targeted reversion, still to be distributed to agencies	-274,056
Total	**$175,311**

COLA: cost-of-living adjustment
DBM: Department of Budget and Management
DoIT: Department of Information Technology
DPSCS: Department of Public Safety and Correctional Services
OPSB: Office of Personnel Services and Benefits

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies and targeted reversions.

Family and Medical Leave Insurance Funding Not Included

There is no funding in the State budget for the employer contribution for the Family and Medical Leave Insurance program, as there is legislation to delay the implementation of the program. HB 571 and SB 485 would delay required contributions until July 1, 2025, the first day of fiscal 2026. Benefit payments would be delayed until January 1, 2026. DBM notes that the State may self-insure for this benefit, which would eliminate the need to budget for the contributions. **DBM should comment on its plans to self-insure for the FAMLI benefit.**

Personnel Data

	FY 23 Actual	FY 24 Working	FY 25 Allowance	FY 24-25 Change
Regular Positions	133.60	135.60	138.00	2.40
Contractual FTEs	1.60	4.00	2.00	-2.00
Total Personnel	**135.20**	**139.60**	**140.00**	**0.40**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.44	3.22%
Positions and Percentage Vacant as of 12/31/23	6.00	4.42%
Vacancies Below Turnover	1.56	

- The fiscal 2025 allowance adds a director level position to focus on professional development and training in an effort to improve State employee retention. This effort is discussed further in Issue 1 of this analysis. **DLS recommends reducing funding for this position by $36,651 to reflect a turnover rate of 25%.**

- The fiscal 2025 allowance converts two contractual full-time equivalents (FTE) to regular positions in the contract management division as the nature of the work is ongoing.

Issues

1. Vacancies See First Sustained Decline Due to Hiring

Authorized Positions

As in last year's budget, the Governor's budget plan includes the addition of new authorized positions across agencies. As shown in **Exhibit 6**, the fiscal 2025 allowance would add 2,452 new positions to Executive Branch agencies in the State, excluding higher education. Of these, 1,187 are contractual conversions.

Exhibit 6
Authorized Positions
Executive Branch Excluding Higher Education
Fiscal 2024-2025

	Legislative Appropriation 2024	Allowance 2025	Change 2024-2025
Health and Human Services			
Health	6,445	7,586	1,141
Human Services	5,979	5,979	0
Juvenile Services	2,163	2,143	-20
Subtotal	***14,586***	***15,707***	***1,121***
Public Safety			
Public Safety and Correctional Services	9,217	9,213	-4
Police and Fire Marshal	2,544	2,578	34
Subtotal	***11,761***	***11,791***	***30***
Transportation	9,058	9,179	121
Other Executive			
Legal (Excluding Judiciary)	1,629	1,701	72
Executive and Administrative Control	1,763	2,043	279
Financial and Revenue Administration	2,257	2,315	57
Budget and Management and IT	530	558	28
Retirement	192	199	7
General Services	703	727	24
Service and Civic Innovation	32	39	7
Natural Resources	1,462	1,499	38

	Legislative Appropriation 2024	Allowance 2025	Change 2024-2025
Agriculture	409	426	17
Labor	1,417	1,785	367
MSDE and Other Education	1,888	2,031	144
Housing and Community Development	355	446	91
Commerce	186	208	22
Environment	959	986	27
Subtotal	***13,783***	***14,962***	***1,179***
Executive Branch Total	**49,187**	**51,639**	**2,452**

IT: information technology
MSDE: Maryland State Department of Education

Note: Reflects information reported in Appendix E of the Budget Books, which includes planned contractual conversions that have yet to be enacted.

Source: Governor's Fiscal 2025 Budget Books

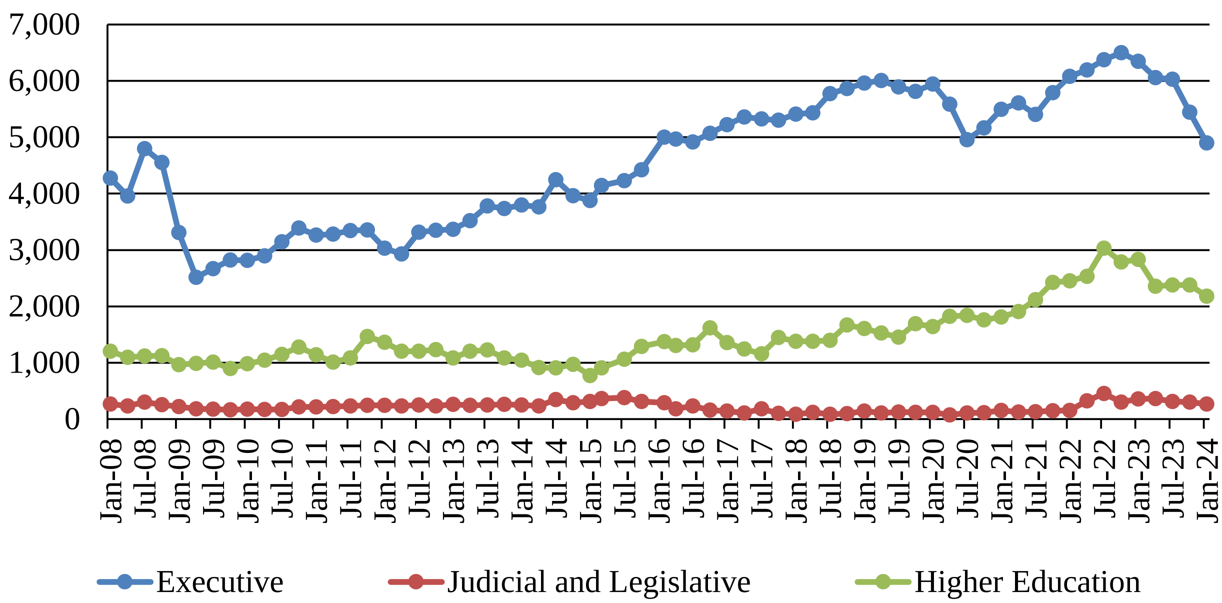
Nearly half of the new positions are at the Maryland Department of Health (MDH), many of which are contractual conversions. Committee narrative in the 2023 *Joint Chairmen's Report* (JCR) requested that DBM provide a report on the number of contractual employees who have been employed for two years or longer and provide the cost to convert these employees to regular positions. According to the report, as of August 2023, there were 832 contractual employees in State agencies who had been employed for two years or longer; about 100 of those were State retirees. The cost to convert all of the nonretiree positions to regular employee status was estimated at $11.7 million.

The agency with the most long-term contractual employees by far was MDH, with 264.23. The agency with the second highest number of long-term contractual employees was Department of Public Safety and Correctional Services (DPSCS), with 80.21. Not coincidentally, the Governor's budget plan includes the conversion of as many as 829 MDH contractual employees to regular employee status. Nearly 400 of these positions are reflected in Appendix E of the Governor's Budget Books but not included in data provided to DLS. According to DBM, this is partially due to contractual conversion positions approved by the Board of Public Works but not created and partially due to planned contractual conversions that are contingent on budget language. However, budget language is not required to create authorized positions in the allowance. **DLS recommends that annual language regarding the reporting of personnel data also include a requirement that information is consistent throughout all budget submission materials.**

Vacant Positions

Since peaking at nearly 6,500 in October 2022, the number of vacant positions in the Executive Branch has fallen dramatically to 4,897 in January 2024, as shown in **Exhibit 7**. The improvement is understated somewhat, as there were several hundred new positions added in July 2023. The current period is the first sustained reduction in vacancies since the Great Recession. Previous large reductions in vacancies were achieved by abolishing vacant positions. Conversely, the current reduction in vacancies is happening at the same time as more positions are being authorized in State government. The reduction in vacant positions has led to a vacancy rate in January 2024 of 10% in the Executive Branch excluding higher education. While lower than the peaks of 13% or higher in calendar 2022 and 2023, the vacancy rate is still much higher than historic norms.

Exhibit 7
Vacant Positions
January 2008 to January 2024



Source: Department of Legislative Services

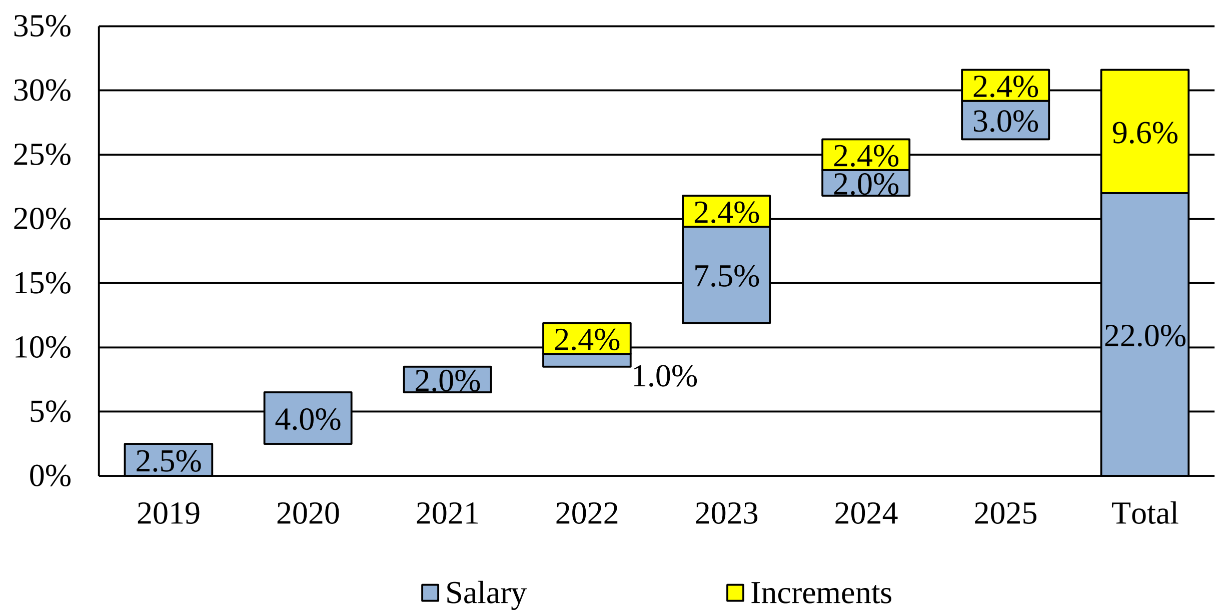
While significant progress is being made in filling vacancies, the fiscal 2025 allowance likely includes personnel funding that is in excess of needs based on current vacancy levels and hiring trends. At the current pace of hiring, combined with the addition of new positions in fiscal 2025, it is estimated that Executive Branch agencies excluding higher education will have a vacancy rate of 8.6% in January 2025. The budgeted turnover rate is 7.8% in the fiscal 2025 allowance, resulting in overfunding of $40 million in total funds. **DLS recommends reducing funding for salary actions in the**

Statewide Program by $40 million to reflect likely vacancy savings and a budgeted turnover rate of 8.6%.

Salary Increases

Reducing vacancies and filling more State positions has been a key priority of both the Administration and the General Assembly. A primary strategy to improve recruitment and retention of State employees is to increase salaries. **Exhibit 8** shows recent salary increases provided to most State employees. Since fiscal 2019, most State employees have seen salary increases totaling nearly 33%. A more detailed review of State salary actions can be found in **Appendix 2**.

Exhibit 8
Recent General Salary Actions
Fiscal 2019-2025

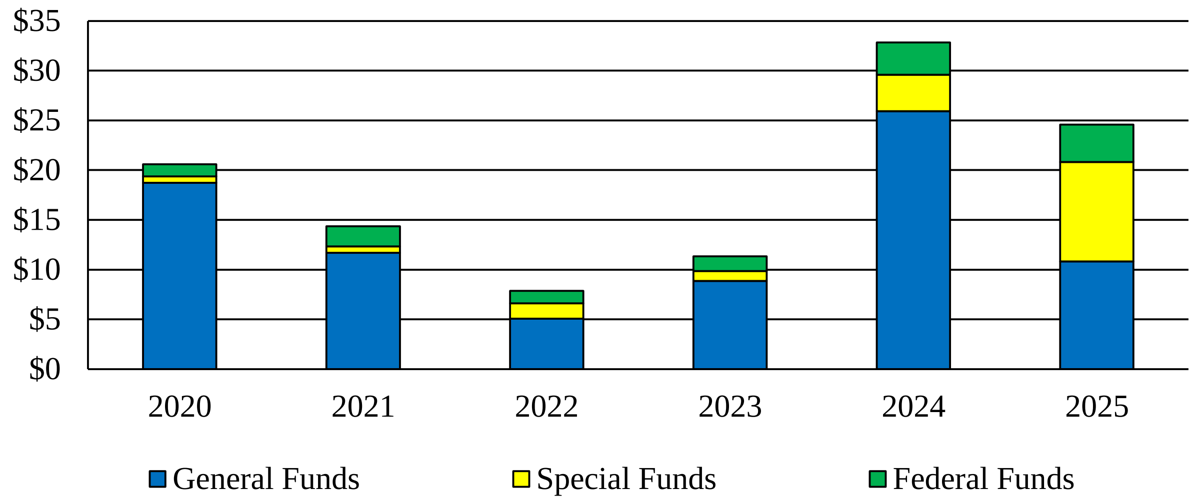


Note: American Federation of State, County, and Municipal Employees represented employees received an additional increment in fiscal 2024, and longer-tenured employees will receive an additional increment in fiscal 2025.

Source: Department of Legislative Services

In addition to general salary increases, the State also provides annual salary reviews (ASR) in order to target money at positions that are difficult to recruit and retain. **Exhibit 9** shows funding provided for ASRs since fiscal 2019. The fiscal 2025 allowance includes $24.6 million in funds to provide salary increases to nearly 4,000 positions across State agencies. The large increase in special funds is primarily due to $4.5 million at MDOT to provide increases to 900 customer agents across the department. Details of affected classifications can be found in **Appendix 4**.

Exhibit 9
Funding for Annual Salary Reviews
Fiscal 2020-2025
($ in Millions)



Source: Department of Budget and Management

Salary Study Recommends Changes to State Compensation

Committee narrative in the 2023 JCR requested that DBM commission a salary study to determine the appropriateness of State employee compensation. DBM contracted with PRM Consulting to perform the analysis of the State's current wages and benefits and recommend needed changes to the compensation and benefits package for State employees. The study compared Maryland to neighboring states and the District of Columbia, Maryland municipalities, the federal government, Medstar Hospital System, and the University of Maryland, which has independent personnel authority.

Further Salary Increases Recommended

The study determined that the State has a well-designed but complex classification program. One example of this complexity is that there are 32 different salary scales; most employees in SPMS are in the Standard scale.

The report, which was provided to DBM in December 2023, found that overall, salary scale midpoints are on average 4.6% below peers. However, the Standard scale midpoint is 8.8% below peers.

The report found that only 32% of the hardest to fill State job classifications were paid significantly below peers, meaning salary is not necessarily the only driver in recruiting for positions with high vacancy levels. The consultants also noted that there is a wide variance in actual salaries (as opposed to salary scale midpoints) and also that the State's recent increases are noticeably higher than peers.

The report recommends increases in three salary scales.

- Increase salaries in the Standard scale by 8.5%. Approximately 28,000 employees are on the Standard scale, and the estimated cost would be $178.9 million.
- Increase salaries in the Correctional Officer scale by 6%. Approximately 5,900 employees are on this scale; the estimated cost is $23.3 million.
- Increase salaries in the Executive Pay Plan by 12%, at a cost of $4.1 million for 184 employees.

The report also recommends freezing the salary scales for Medical Examiners, Civilian Pilot, and Physician schedules, as salary opportunities are significantly higher than those available in peer groups.

Additionally, the study recommended that 54 underpaid, hard-to-fill classifications should be assigned to higher grades. This represents 26% of hard to fill classifications, nearly all of which are in the Standard scale. However, it also noted that any changes to the salary scales should be taken into consideration when determining any grade increases.

DLS recommends adding language to the budget restricting funding in the Statewide Program ($45.9 million) that is intended for an additional increment for longer-tenured employees to instead be provided as an additional salary increase for employees on the Standard and Correctional Officer pay scales. This action would more clearly align with recommendations made in the salary study.

Other Compensation Changes Suggested

The report found that the State has a comprehensive benefits package, including a health plan that provides more options than peer groups with the life insurance options being the only weakness in noncompensatory benefits noted.

The study also said the State should reduce its reliance on ASRs and instead focus on moving employees through salary scale steps consistently; including providing additional step increases to hard-to-fill classifications. Further, the State should reduce COLAs but instead provide more regular and predictable increments and steps. The current classification series (for example administrator I, administrator II, etc.) which create promotional opportunities offer additional ways to increase salaries for State employees.

In light of the study's recommendations to reduce reliance on ASRs, DLS recommends deleting funding for the ASR.

Task Force Recommends Improving Hiring Process

Committee narrative in the 2023 JCR directed DBM to create a Task Force on the Modernization of the State Personnel Management System to identify State practices that hinder recruitment and hiring and recommend improvements to the State's recruitment and retention practices.

State statute has many requirements regarding the hiring process that can be found in State Personnel and Pensions Article, Sections 7-201 through 7-209. The task force noted that due to these requirements, the typical recruitment process can often last 90 days from the time of job posting to the hire's first day on the job, and that even in an ideal scenario a search can last 63 days. This long window between job posting and hiring can often lead to job candidates taking other offers prior to any offer from the State. The task force's report also noted that the State hiring process can often be fragmented among several entities. Hiring managers, appointing authorities, agency recruitment staff, and DBM all play various roles in the process – a lack of specialization often reduces the efficiency of the recruitment process. Recommendations included encouraging continuous rating of job applicants before job postings close and creating dedicated staff to take ownership of the hiring process.

The task force also noted that the applicant experience is in need of improvement. Recommendations included improving the referral process for applicants to other job openings in addition to those applied for, improving communication with applicants throughout the process, and using continuous job postings for certain positions where hiring is common. The group noted that job classification titles should be more descriptive in order to better target applicants and that the State should be more flexible with job requirements and degree requirements. **DBM should comment on efforts to adopt the task force's recommendations and whether it is recommending that any legislation be adopted to enact any reforms.**

Dedicated Purpose Account Funding

Funding is provided in the Dedicated Purpose Account (DPA) for Statewide personnel efforts. Fiscal 2024 funds ($2 million) were used for the salary study mentioned previously as well as a statewide workplace culture survey. The fiscal 2025 allowance for the DPA includes $3 million for further State personnel efforts and $2.5 million for apprenticeships in State government.

Ongoing efforts include enhancing diversity, equity, and inclusion within the State workforce; developing and implementing plans to strengthen workplace culture based on the results of the culture survey; planning to improve salary competitiveness and pay equity; and efforts to enhance recruitment following the work of the Task Force to Modernize State Personnel Management System. The allowance also includes a new position for a statewide employee training and professional development director, a position that does not currently exist. The new director, along with the Executive Director of OPSB, would be charged with developing a statewide training and professional development program.

The DPA funding would also allow for the development of apprenticeships in State government. DBM has worked with the Maryland Department of Labor to identify candidates for positions that could have apprenticeship paths. The DPA funding would pay apprenticeship costs rather than charging agency budgets.

Telework Policy Changes Imminent

Employee surveys consistently show that schedule flexibility and the ability to telework are behind only compensation when rating job satisfaction. The State's current telework policy, while encouraging of employee telework where possible, is generally left up to agency discretion. DBM is in the final stages of negotiating a telework policy that would apply to all Executive Branch agencies, excluding higher education and independent agencies. **DBM should comment on the status of the State's telework policy.**

2. State Health Insurance Contributions Decline

The Employee and Retiree Health Insurance Account is shown in **Exhibit 10**. The account closed with a year-end fund balance of $113.6 million in fiscal 2023, an increase of $56.1 million. After accounting for incurred but not received bills, the account closed with a $6.5 million surplus. There is a small projected negative reserve fund balance reflected at the end of fiscal 2025; however, the fund is balanced on a cash basis.

Exhibit 10
Employee and Retiree Health Insurance Account
Fiscal 2023 Actual to 2025 Allowance
($ in Millions)

	2023 Actual	2024 Working	2025 Allowance
Beginning Balance	**$57.5**	**$113.6**	**$146.5**
Expenditures			
DBM – Personnel Administrative Cost	**$6.9**	**$10.3**	**$12.6**
Payments of Claims			
Medical	$1,219.2	$1,280.2	$1,344.2
Prescription	823.4	873.6	766.7
Pharmacy Rebates	-268.4	-283.6	-277.5
Dental	60.0	61.7	63.8
Contractual Employee Claims	28.4	30.7	32.9
Payments to Providers	**$1,862.5**	**$1,962.5**	**$1,930.0**
% Growth in Payments	*4.7%*	*5.4%*	*-1.7%*
Receipts			
State Agencies*	$1,348.5	$1,554.4	$1,475.6
Employee Contributions*	$209.3	$222.6	$236.9
Retiree Contributions (Medicare-eligible)	$50.6	$53.8	$41.0
Retiree Contributions (Non-Medicare-eligible)	$73.5	$78.2	$83.2
EGWP Subsidies and Other Revenue	126.6	96.7	75.7
Other State and Federal Subsidies	91.0	0.0	0.0
Agency Reversions	26.2	0.0	0.0
Total Receipts	**$1,925.5**	**$2,005.8**	**$1,912.4**
% Growth in Receipts	*6.9%*	*4.2%*	*-4.7%*
Ending Balance	**$113.6**	**$146.5**	**$116.3**
Estimated Incurred but Not Received	**-$107.1**	**-$112.0**	**-$117.5**
Reserve for Future Provider Payments	**$6.5**	**$34.5**	**-$1.2**

DBM: Department of Budget and Management
EGWP: Employer Group Waiver Plan

*State agency and employee contributions include contributions for eligible contractual full-time equivalents.

Note: Costs and revenue associated with Medicare-eligible retirees are assumed through December 31, 2023.

Source: Governor's Fiscal 2024 Budget Books

Premiums for most plan members increased by 5% for medical plans, 10% for prescription plans, and 5% for dental plans, depending on the chosen plan, on January 1, 2024, which is the third straight year of similar size increases. The State agency share of contributions will decline by 5% due to the reduced costs associated with shifting retiree prescription drug coverage to Medicare Part D, discussed in depth in Issue 3 of this analysis. The split of employer to employee contributions to the plan agreed to by DBM and the various bargaining units is 85/15 for exclusive provider organization plans and 80/20 for preferred provider organization plans. The split in the fiscal 2025 allowance will be approximately 84/16.

Payments to providers increased by 5% to $1.9 billion (including pharmacy rebates) in fiscal 2023. Medical costs, which make up the largest amount of claims costs, grew by 5.2% to $1.2 billion. Costs are projected to increase by 5.0% in fiscal 2024 and 2025.

Dental costs grew by 4.9 % to $60 million in fiscal 2023. DBM projects increases of 2.8% in fiscal 2024 and 3.4% in fiscal 2025.

The second largest health benefit cost is for prescription drug coverage. Net of pharmacy rebates, costs increased by 3.5% in fiscal 2023 and are projected to grow by 6.3% in fiscal 2024. Due to the shift of retiree prescription drug coverage to Medicare Part D in the second half of fiscal 2025, DBM projects prescription drug costs will decline by 17% in fiscal 2025. **DLS recommends annual committee narrative to request that DBM submit medical, dental, and prescription drug utilization and cost data.**

3. DBM Begins Transition of Eligible Retirees to Medicare Part D Coverage

Chapter 397 of 2011 terminated prescription drug coverage for Medicare-eligible State retirees effective in fiscal 2020. Chapter 10 of 2018 made the termination effective January 1, 2019. This was done in the expectation that Medicare-eligible State retirees could enroll in prescription drug coverage programs under Medicare Part D, thereby reducing State costs. Chapter 767 of 2019 established reimbursement programs that would cover out-of-pocket (OOP) costs for retirees enrolled in Part D coverage. In response to a lawsuit filed by State retirees claiming that termination of prescription drug benefits was an unconstitutional breach of contract between the State and retirees, the federal Fourth Circuit Court of Appeals ultimately ruled that no such contract existed. As a result, the lawsuit was dismissed in September 2023.

Impact on Medicare-eligible Retirees

No changes to current prescription drug coverage for retirees will take effect until the plan year beginning January 1, 2025. By that time, Medicare-eligible retirees will need to select and enroll in a Part D plan of their choosing. While every individual has different circumstances and coverage needs, federal changes to the Part D OOP maximums in the Inflation Reduction Act (IRA) that go into effect January 1, 2025, make the State plan and Part D comparable, as shown in **Exhibit 11**.

Exhibit 11
State Plan and Part D Comparison

	State Plan	Part D
Monthly Premium	$53.28	$48.00*
Out-of-pocket Cap	$1,500 individual/$2,000 family	$2,000 individual
Covered Medications	Part D plans differ, but no therapeutic drugs currently covered would lose coverage.	

* Based on average enrollment weighted premium

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

The largest difference is likely in the OOP costs. While the IRA limits OOP to $2,000 per individual, it is still higher than the State plan maximums. However, legislation enacted in calendar 2019 would cover most retirees' OOP prescription drug costs. The Maryland State Retiree Prescription Drug Coverage Program, created in Chapter 767, will reimburse a State retiree who retired on or before December 31, 2019, and is enrolled in a Medicare Part D plan for OOP prescription drug costs that exceed limits established in the State plan. The Maryland State Retiree Life-Sustaining Prescription Drug Assistance Program, also part of Chapter 767, will reimburse a Part D recipient for OOP costs for a life-sustaining medication that is covered by the State plan but is not covered under the individual's Medicare prescription drug plan. DBM advises that all Medicare Part D formularies must include at least two drugs in each therapeutic category and provide a way to seek approval for non-formulary drugs. In addition, a number of drugs are now covered by Medicare Part B; for drugs eligible under Part B, the State health plan would pay the 20% not covered by Part B. Chapter 767 also includes the Maryland State Retiree Catastrophic Prescription Drug Assistance Program, which is available to retirees who have retired or will retire on or after January 1, 2020. This program will need to be revisited by the General Assembly, as it currently references features of Medicare Part D ("catastrophic coverage") rendered obsolete by the IRA.

Counseling and Reimbursement Plan Details

DBM sent letters and a list of frequently asked questions to Medicare-eligible retirees on January 15, 2024, to provide them with information about the change. The department states that it sent more than 55,000 letters to retirees, and that 98% were confirmed as delivered. However, there are still some difficulties in contacting all eligible retirees. Specifically, members of the Optional Retirement Plan in the University of Maryland System were missed in the original mailing due to being on a separate mailing list. DBM sent information to those employees February 9, 2024, when the error was discovered. The agency is working with the State Retirement Agency to ensure that its contact information is as complete as possible. The initial notice will not be the only communication with retirees. DBM is finalizing a communication plan that will carry through the open enrollment process in late 2024.

Counseling to Be Provided

Medicare open enrollment in calendar 2024 begins October 15 and runs through December 7. Retirees who wish to maintain prescription drug coverage will need to enroll at this time. In order to assist with the enrollment and selection process, DBM will contract with a company that will provide licensed Medicare Part D counselors to review member medication needs and assist in selecting and enrolling in a plan. The State will also offer in-person education sessions around the State, as well as online video sessions.

Reimbursement for Pre-2020 Retirees

As noted above, Chapter 767 requires reimbursement to retirees hired before July 1, 2011, and who retired on or before January 1, 2020, for OOP costs that exceed State plan limits, which are $1,500 for individuals and $2,000 for families. The reimbursement is expected to be provided in the form of a Health Reimbursement Account (HRA), which would include tax-free funds that could be used to pay for OOP prescription drug costs. DBM has yet to determine the amount to be provided to each member, but it will be dependent on Medicare plan design, retiree single or family coverage, and retiree years of service.

Costs and Savings Associated with Change

The fiscal 2025 allowance includes a projected $50 million in general fund savings associated with the transition of coverage to Part D, which represents only six months of savings since the change takes effect midway through the fiscal year. Savings are estimated to total $90 million across all funds. The estimate accounts for the offsetting costs and revenues, such as counseling, administration of the reimbursement accounts, and lost premium contributions from retirees. DBM acknowledges that it is in the preliminary stages of development for the program and does not yet have firm estimates for the administrative costs. **DBM should comment on its plans for communicating with Medicare-eligible retirees, its procurement of a counseling firm and HRA administrator, and the amount of funds to be provided to Medicare-eligible retirees in the HRAs.**

The changes also result in a significant reduction in the State’s Other Post Employment Benefits (OPEB) liabilities, according to recent estimates. The State Net OPEB liability at the close of fiscal 2023 was $11.1 billion; the State’s actuary estimates that restoring full State-funded prescription drug coverage for retirees would increase the liability by $8.9 billion.

Operating Budget Recommended Actions

		Amount Change	
1.	Increase the turnover expectancy for a new position to 25%.	-$ 36,651	GF

2. Adopt the following narrative:

Health Insurance Account Closeout Report: The committees request a report on the fiscal 2024 closeout of the Employee and Retiree Health Insurance Account. This report shall include:

- the closing fiscal 2024 fund balance;
- the actual provider payments due in the fiscal year broken out by medical payments for active employees, medical payments for non-Medicare-eligible retirees, medical payments for Medicare-eligible retirees, prescription drug payments for active employees, prescription drug payments for non-Medicare-eligible retirees, and prescription drug payments for Medicare-eligible retirees;
- State employee and retiree contributions, broken out by active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees;
- an accounting of rebates, recoveries, and other costs, broken out into rebates, recoveries, and other costs associated with active employees, non-Medicare-eligible retirees, and Medicare-eligible retirees;
- any closeout transactions processed after the fiscal year ended; and
- actual incurred but not received costs.

Information Request	**Author**	**Due Date**
Report on fiscal 2024 closeout data for the Employee and Retiree Health Insurance Account	Department of Budget and Management	October 1, 2024

3. Adopt the following narrative:

Quarterly Medical, Dental, and Prescription Plan Performance: In recent years, the State has implemented different strategies to contain medical and prescription costs. The budget committees request that the Department of Budget and Management (DBM) submit quarterly reports on plan performance of the State's prescription, medical, and dental plans.

- Medical and dental reports should provide utilization and cost data broken out by plans as well as actives, non-Medicare-eligible retirees, and Medicare-eligible retirees. The reports should include utilization per 1,000 plan participants; unit cost and per member costs for hospital inpatient services; hospital outpatient services; professional inpatient services; professional outpatient services; and ancillary services, provided by the State's health plans.

- Prescription reports should provide information on the highest cost prescription drugs by category of treatment; the prescription drugs accounting for the largest increases in drug spending; the top 25 most costly individual prescription drugs in generic, brand, biologics, and specialty drug categories; recent drug patent expirations; and upcoming new drug patent approvals. Additionally, the reports should include data on the cost drivers and drug trends by actives, non-Medicare retirees, and Medicare retirees.

Information Request	Author	Due Date
Quarterly State medical, dental, and prescription drug plan performance reports	DBM	September 15, 2024 December 15, 2024 March 15, 2025 June 15, 2025

4. Add the following language:

<u>Provided that $35,373,075 in general funds, $5,512,687 in special funds, and $5,053,296 in federal funds in this appropriation for the purpose of providing an additional salary increment for State employees who have been employed continuously since June 30, 2019, may not be expended for that purpose but instead may be used only to provide general salary increases to employees in the Standard and Correctional Officer salary scales. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any purpose and shall be reverted or canceled.</u>

Explanation: Based on a consultant's examination of the State's salary structure that determined that midpoints of the Standard and Correctional Officer salary scales were 8.8% and 6%, respectively, below peer jurisdictions, this action would direct funding intended for another purpose to instead by used to close the gap between State compensation and peer jurisdiction compensation.

		Amount Change	
5.	Reduce funding for the supplemental pension contribution, which will still allow the State to accelerate progress toward full funding while recognizing structural budget challenges.	-$ 21,611,737 -$ 1,683,650 -$ 912,824	GF SF FF
6.	Reduce funding to reflect anticipated vacancy savings in Executive Branch agencies excluding higher education. This reduction would result in a budgeted turnover rate of 8.6%.	-$ 24,941,254 -$ 10,268,366 -$ 4,790,380	GF SF FF
7.	Delete funding for the fiscal 2025 annual salary review based on an independent consultant's recommendations.	-$ 10,830,524 -$ 9,996,082 -$ 3,764,190	GF SF FF

8. Add the following section:

Section XX Positions Abolished in the Budget

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

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

9. Add the following section:

Section XX Injured Workers' Insurance Fund Accounts

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

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

Information Request	**Author**	**Due Date**
Report on the status of ledger control account	IWIF	Monthly beginning July 1, 2024

10. Add the following section:

Section XX The "Rule of 100"

SECTION XX. AND BE IT FURTHER ENACTED, That the Board of Public Works (BPW), in exercising its authority to create additional positions pursuant to Section 7-236 of the State Finance and Procurement Article, may authorize during the fiscal year no more than 100 positions in excess of the total number of authorized State positions on July 1, 2024, as determined by the Secretary of Budget and Management. Provided, however, that if the imposition of this ceiling causes undue hardship in any department, agency, board, or commission, additional positions may be created for that affected unit to the extent that an equal number of positions authorized by the General Assembly for the fiscal year are abolished in that unit or in other units of State government. It is further provided that the limit of 100 does not apply to any position that may be created in conformance with specific manpower statutes that may be enacted by the State or federal government nor to any positions created to implement block grant actions or to implement a program reflecting fundamental changes in federal/State relationships. Notwithstanding anything contained in this section, BPW may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of man that are necessary to protect the health and safety of the people of Maryland. BPW may authorize the creation of additional positions within the Executive Branch provided that 1.25 contractual full-time equivalents (FTE) are abolished for each regular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in contractual FTEs for at least two years. Any position created by this method may not be counted within the limitation of 100 under this section. The numerical limitation on the creation of positions by BPW established in this section may not apply to positions entirely supported by funds from federal or other non-State sources so long as both the appointing authority for the position and the Secretary of Budget and Management certify for each position created under this exception that:

(1) funds are available from non-State sources for each position established under this exception; and

(2) any positions created will be abolished in the event that non-State funds are no longer available. The Secretary of Budget and Management shall certify and report to the General Assembly by June 30, 2025, the status of positions created with non-State funding sources during fiscal 2022 through 2025 under this provision as remaining, authorized, or abolished due to the discontinuation of funds.

Explanation: This annual language, the Rule of 100, limits the number of positions that may be added after the beginning of the fiscal year to 100 and provides exceptions to the limit.

Information Request	Author	Due Date
Certification of the status of positions created with non-State funding sources during fiscal 2022 through 2025	Department of Budget and Management	June 30, 2025

11. Add the following section:

Section XX Annual Report on Authorized Positions

SECTION XX. AND BE IT FURTHER ENACTED, That immediately following the close of fiscal 2024, the Secretary of Budget and Management shall determine the total number of full-time equivalent (FTE) positions that are authorized as of the last day of fiscal 2024 and on the first day of fiscal 2025. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2024 and 2025, including nonbudgetary programs, the Maryland Transportation Authority, the University System of Maryland self-supported activities, and Maryland Correctional Enterprises. The Department of Budget and Management shall also prepare a report during fiscal 2025 for the budget committees upon creation of regular FTE positions through Board of Public Works action and upon transfer or abolition of positions. It shall note, at the program level:

(1) where regular FTE positions have been abolished;

(2) where regular FTE positions have been created;

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

(4) where any other adjustments have been made. Provision of contractual FTE information in the same fashion as reported in the appendices of the Governor's Fiscal 2025 Budget Books shall also be provided.

Further provided that this report shall also be submitted as an appendix with the Governor's Fiscal 2026 Budget Books, **and that the report shall provide information that is consistent with information in the individual agency pages of the Budget Books and with data provided to the Department of Legislative Services.**

Explanation: This annual language provides reporting requirements for regular positions and contractual FTEs.

Information Request	**Author**	**Due Date**
Total number of FTEs on June 30, 2024, and July 1, 2024	Department of Budget and Management (DBM)	July 14, 2024
Report on the creation, transfer, or abolition of regular positions	DBM	With the Governor's fiscal 2026 budget submission and as needed

12. Add the following section:

Section XX Annual Report on Health Insurance Receipts and Spending

SECTION XX. AND BE IT FURTHER ENACTED, That the Secretary of Budget and Management shall include as an appendix in the Governor's Fiscal 2026 Budget Books an accounting of the fiscal 2024 actual, fiscal 2025 working appropriation, and fiscal 2026 estimated revenues and expenditures associated with the employees' and retirees' health plan. The data in this report should be consistent with the budget data submitted to the Department of Legislative Services. This accounting shall include:

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

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

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

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

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

Information Request	Author	Due Date
Accounting of the employee and retiree health plan revenues and expenditures	Department of Budget and Management	With the submission of the Governor's Fiscal 2026 Budget Books

Total Net Change	**-$ 88,835,658**
Total General Fund Net Change	**-$ 57,420,166**
Total Special Fund Net Change	**-$ 21,948,098**
Total Federal Fund Net Change	**-$ 9,467,394**

Budget Reconciliation and Financing Act Recommended Actions

1. The Department of Legislative Services recommends adding a provision that would permanently reduce the mandated reinvestment retirement savings contribution from $75 million to $50 million and repeal the requirement that the pension contribution be reduced by the amount of administrative fees paid by local school districts and community colleges.

Appendix 1
2023 *Joint Chairmen's Report* Responses from Agency

The 2023 JCR requested that DBM prepare 11 reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on Fiscal 2023 Closeout Data for the Employee and Retiree Health Insurance Account:*** The Employee and Retiree Health Insurance Account closed with a year-end fund balance of $113.6 million in fiscal 2023. Further discussion of this data can be found in Issue 2 of this analysis.

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

- ***Modernization of the State Personnel System:*** The budget committees directed DBM to form a task force to examine ways to modernize the State's personnel system. The task force formed in response to this request met in fall 2023 and produced a report and recommendations that are discussed in Issue 1 of this analysis.

- ***Report on Use of Long-term Contractual Employees:*** DBM reports that there were 832 contractual employees who had been employed for two years or longer. This report was used to inform Issue 1 of this analysis.

- ***Report on Service Contracts:*** The budget committees requested information on service contracts to determine if State employees were being displaced and whether bargaining unit representatives were being properly notified. DBM reported that one service contract was approved in fiscal 2023 and notice to a bargaining unit was not required for this contract.

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

- ***Certification of the Status of Positions Created with Non-state Funding Sources during Fiscal 2021 through 2024:*** This report is due on June 30, 2024.

- ***Total Number of FTEs on June 30 and July 1, 2023:*** DBM reported 81,868.99 authorized positions at the close of fiscal 2023 and 82,594.74 authorized positions as of July 1, 2023. Further discussion of personnel issues can be found in Issue 1 of this analysis.

- ***Report on the Creation, Transfer, or Abolition of Regular Positions:*** DBM provided data on the creation, transfer, and abolition of positions in Appendix E of the Governor's Budget Books. However, this data does not appear to always reconcile to data provided in individual agency information pages in the Budget Books. Further discussion of this issue can be found in Issue 3 of this analysis.

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

- ***Report on Progress in Recruitment and Retention of State Employees:*** This report noted the significant progress that the State had made in improving its recruitment of applicants and reducing the State's vacancy rate. Further information can be found in Issue 1 of this analysis.

Appendix 2
General Salary Increases, Increments, and Other Compensation
Fiscal 2003-2025

Fiscal Year	Date of Increase	State Employees General Salary Increase	Increments	Police, Natural Resources Police, and Park Ranger Salary Increases	Maximum Deferred Compensation Match by State	Pay-for-performance Bonuses	Annual Salary Review Reclassifications	Other
2003		None	None		$500	None	None	
2004		None	None		None	None	None	
2005	7/1/2004	$752	On time		None	None	Yes(1)	
2006	7/1/2005	1.5%	On time		400	None	Yes(2)	
2007	7/1/2006	$900, $1,400, or 2.0%(3)	On time	2.0% extra, 9.0% extra for State police (primarily DGS and DHMH officers)	600	None	Yes(4)	2 steps on standard salary schedule; 1 step on the physician's salary schedule
2008	7/1/2007	2.0%	On time		600	None	None	
2009	7/1/2008	0.5%(5)	On time		600	None	Yes(6)	2 to 5-day furlough enacted(7)
2010		None	None		0	None	None	3 to 10-day furlough enacted(8)
2011		None	None		0	None	None	3 to 10-day furlough enacted(9)
2012		None	None	Negotiated increments	0	$750 bonus(10)	None	Furloughs ended
2013	1/1/2013	2.0%	None		0	None	Yes(11)	
2014	1/1/2014	3.0%	4/1/2014	Negotiated increments	0	None	Yes(12)	

		State Employees						
Fiscal Year	**Date of Increase**	**General Salary Increase**	**Increments**	**Police, Natural Resources Police, and Park Ranger Salary Increases**	**Maximum Deferred Compensation Match by State**	**Pay-for-performance Bonuses**	**Annual Salary Review Reclassifications**	**Other**
2015	1/1/2015	2.0%	On time	Negotiated increments	0	None	Yes[13]	
2016	7/1/2015	2.0%	None		0	None	Yes[14]	
2017		None	On time	Negotiated increments	0	None	Yes[15]	
2018		None	None	Negotiated increments	0	None	None	
2019	1/1/19; 4/1/19	2%; 0.5%[16]	None	2% and negotiated increments	0	$500[16]	Yes [17]	
2020	7/1/19; 1/1/20	3%; 1%[18]	None	5% and negotiated increments	0	None	Yes [19]	
2021	1/1/21	2%	None	5%	0	None	Yes [20]	
2022	1/1/22	1%[21]	1/1/22	4% and negotiated increments	0	$1,000/$1,500 [22]	Yes [23]	
2023	7/1/22; 11/1/22	3%; 4.5%	On time	7% and negotiated increments[24]	0	None	Yes [25]	
2024	7/1/2023	2%	On time [26]	5% and negotiated increments	600	None	Yes [27]	
2025	7/1/2024	3%	On time [28]	5% and negotiated increments	600	None	Yes [29]	

DGS: Department of General Services
DHMH: Department of Health and Mental Hygiene

[1] The fiscal 2005 ASR provided upgrades for public defenders, social services attorneys, assistant general counsels (human relations), assistant State prosecutors, direct service workers in the Department of Juvenile Services, property assessors, laboratory scientists, administrative law judges, and banking financial examiners.
[2] The fiscal 2006 ASR provided a one-grade salary adjustment for the Deputy State Fire Marshal classification series.
[3] Fiscal 2007 general salary increases were $900 for employees making less than $45,000 at the end of fiscal 2006, $1,400 for employees making $70,000 or more, and 2% for those remaining.

(4) The fiscal 2007 ASR provided reclassifications and other enhancements for correctional officers and correctional support personnel, registered nurses, licensed practical nurses, direct care assistants, forensic scientists, institutional educators, administrative law judges, and teachers' aides.

(5) A 2.0% cost-of-living increase was included in the fiscal 2009 budget. However, a furlough for State employees by Executive Order 01.01.2008.20 on December 16, 2008, reduced employee salaries by an average of approximately 1.5%. General Assembly members are constitutionally exempt from furloughs.

(6) The fiscal 2009 ASR provided reclassifications and other enhancements for scientists, investigators, engineers, public defender intake specialists, veteran services, cemetery workers, call center specialists, complex tax auditors, tax consultants, retirement benefits counselors, medical care specialists, dental workers, financial regulators, deputy fire marshals, lead aviation maintenance technicians, police communications operators, and civilian helicopter pilots.

(7) State employee salaries were reduced through furlough in fiscal 2009 by Executive Order 01.01.2008.20 in December 2008. The salaries for employees earning $40,000 were reduced by the value of two days' salary, those earning between $40,000 and $59,999 were reduced by the value of four days' salary, and those earning $60,000 or above were reduced by five days' salary. Public safety positions required to maintain 24/7 facilities were exempted from the action. The result was an average salary reduction of approximately 1.5%.

(8) State employee salaries were reduced through furloughs and salary reductions in fiscal 2010 by Executive Order 01.01.2009.11 in August 2009. All employees were subject to a temporary salary reduction of 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 were furloughed for an additional five days. The result was an average salary reduction of approximately 2.6%.

(9) State employee salaries were reduced through furloughs and salary reductions in fiscal 2011 by Executive Order 01.01.2010.11 in May 2010. The structure mirrors the fiscal 2010 program.

(10) The fiscal 2012 budget provided employees with a one-time $750 bonus.

(11) The fiscal 2013 ASR provided upgrades to the following classifications: contribution tax auditors, Maryland Correctional Enterprises industries representative I and II, and regional managers. Two new classes were also created – nutrient management specialist III and forensic behavioral specialists.

(12) The fiscal 2014 ASR provided one grade for the following classifications: emergency medical services' communication officer staff; State Department of Assessment and Taxation assessors; personnel classifications at MDH, the Department of Human Services, and DPSCS; and civilian fixed wing pilots, aviation technicians, and inspectors at the Department of State Police. Parole and probation agents at DPSCS that are an agent 1 receive a one-grade increase, and agent II and senior currently at base, step 1, or step 2 are moved up to step 3. Personnel officers in the employee relations function at DBM are moved into four-level class series.

(13) The fiscal 2015 ASR provided one grade for the following classifications: psychologist positions statewide, DBM operating and capital analysts; park technicians at the Department of Natural Resources; direct care workers and geriatric assistants at MDH; psychiatrists, alcohol and drug counselors, and criminal justice social workers at DPSCS; and loan writers at the Department of Housing and Community Development. The ASR also included funds to provide equity for the planning series at the Department of Planning and MDH and a $3,000 hire bonus and a $3,000 retention bonus for registered nurses at MDH.

(14) The fiscal 2016 ASR provided a one grade increase to wage and hour investigators and administrators at the Employment Standards and Prevailing Wage Programs at the Department of Labor, Licensing, and Regulation.

(15) The fiscal 2017 ASR provided for step increases for building security officers; a one grade increase for Department of General Services procurement officers; salary parity with detective for the warrant apprehension job series at DPSCS; step increases for Department of Housing and Community Development fiscal staff; and polygraph operators at the Department of State Police and DPSCS.

(16) Employees received a 2% increase on January 1, 2019, and a 0.5% increase on April 1. 2019. The April salary increase as well as a $500 bonus effective at the same time were contingent on fiscal 2018 general fund revenues exceeding the December 2017 estimate by at least $75 million, which they did.

(17) The fiscal 2019 ASR provided for step increases for airport firefighters, security attendants, and licensed practical nurses at Clifton T. Perkins Hospital, fire safety inspectors, and police communication operators.

(18) Employees received a 3% increase on July 1, 2019. With the exception of employees represented by the American Federation of State, County, and Municipal Employees (AFSCME), employees received a 1% increase on January 1, 2020.

(19) The fiscal 2020 ASR provided for a one step increase for alcohol and drug counselors, mental health professional counselors, park services associates, registered nurses, epidemiologists, and environmental compliance specialists; and salary restructures for procurement employees and correctional officers.
(20) The fiscal 2021 ASR provided for a one step increase for approximately 200 classifications, primarily in those with high vacancy rates.
(21) Members of AFSCME received an additional 1% COLA on 1/1/22.
(22) AFSCME employees that were part of a grievance against the State related to pandemic response and premium pay also received a $2,500 bonus.
(23) The fiscal 2022 ASR provides for targeted salary increases for fiscal specialists, fire protection engineers, and principals; it also increases all State employees hourly wage to at least $15 per hour.
(24) Members of SLEOLA also received the 11/1/22 4.5% salary increase.
(25) The fiscal 2023 ASR provided funding for a 6% salary increase for registered nurses who were members of AFT-Healthcare, as well as funding for salary increases for police communications operators, aircraft maintainers, and other positions.
(26) An additional increment was provided for AFSCME-represented employees.
(27) The fiscal 2024 ASR provided funding for nearly 6,000 positions across a wide range of high vacancy positions.
(28) An additional increment would be provided to employees continuously employed since June 30, 2019.
(29) The fiscal 2025 ASR provides funding for salary increases for nearly 4,000 positions across State agencies.

Appendix 3
Bargaining Units and Representatives
As of January 1, 2024

Unit	Title	Exclusive Representative	Employees	Expiration Dates
A	Labor and Trades	AFSCME	1,685	December 31, 2026
B	Administrative, Technical, and Clerical	AFSCME	4,153	December 31, 2026
C	Regulatory, Inspection, and Licensure	AFSCME	737	December 31, 2026
D	Health and Human Service Nonprofessionals	AFSCME	1,184	December 31, 2026
E	Health Care Professionals	AFT-Healthcare Maryland	1,206	December 31, 2026
F	Social and Human Service Professional	AFSCME	4,067	December 31, 2026
G	Engineering, Scientific, and Administrative Professionals	MPEC	5,555	December 31, 2026
H	Public Safety and Security	AFSCME/Teamsters	7,096	December 31, 2026
H	BWI Marshall Airport Fire Fighters	International Airport Professional Firefighters Local 1742 I.A.F.F., AFL-CIO, CLC	78	December 31, 2024
I	Sworn Police Officers	SLEOLA	1,800	June 30, 2025
J	MDTA Sworn Officers	MDTA Police Lodge #34	379	June 30, 2025
K	Maryland School for the Deaf Faculty	AFT-Maryland	179	December 31, 2026
		Total	**28,119**	

AFL-CIO: American Federation of Labor and Congress of Industrial Organizations
BWI Marshall Baltimore/Washington International Thurgood Marshall Airport
CLC: Canadian Labor Congress
I.A.F.F: International Airport Fire Fighters
MDTA: Maryland Transportation Authority
MPEC: Maryland Professional Employees Council

Source: Department of Budget and Management; Maryland Department of Transportation

Appendix 4
Annual Salary Review Classifications
Fiscal 2025

Affected Agencies	Class Titles	Total Positions Affected	Total Cost
Statewide	Various IT classifications	512	$5,366,699
MDOT	Customer Agent I, II, III	900	4,538,294
Statewide	Various IT Classifications	272	3,498,866
MDOT	Agency Unique IT Classifications	151	1,534,653
DJS, DPSCS, MDH, MSDE	Cook I, Cook II, Food Service Worker	210	1,040,254
Statewide	Maintenance Chief I, II, III, IV Non Lic, Maintenance Supervisor I, II, III, IV	251	1,005,740
SDAT	Assessor I, II, III, Assessor I Commercial Industrial, Assessor II Commercial Industrial	183	820,552
MDOT	Drivers License Agent I, II, III	145	770,054
SDAT	Supervisor of Assessments Class, A, Class B, Class C, Assessment Area Supervisor I, Assessor Manager Real Property, Assessments Assistant Supervisor Class A, Class B, Class C	69	752,972
Lottery	Casino Compliance Representative and Lead. Creation of Casino Compliance Representative II and III	63	637,892

Affected Agencies	Class Titles	Total Positions Affected	Total Cost
Statewide	Database Specialist I, II	33	395,193
MDOT	Skilled Trade Specialist I, II, III	103	392,310
DJS, DPSCS, MDH, MSDE	Food Service Supervisor I, Supervisor II, Manager I, II,	53	331,187
Statewide	Electrician, Electrician Senior, Maintenance Mechanic Senior, Plumber, Carpentar Trim, Maintenance Assistant, Painter	100	324,925
MDL	OSH Compliance Officer III, Lead, Adv	24	288,298
MDH, DJS, DPSCS, MSDE	Psychology Services Chief, Psychology Services Chief CI	14	278,841
MDL	OSH Compliance Officer I, II	25	237,429
MDH, MDE	Sanitarian VI, V Registered	17	233,813
MDH, MDE	Sanitarian I, II, III, IV Registered	19	218,234
Statewide	Computer User Support Spec I, II, Computer Operator Trainee, I, II, Lead, IT Production Control Spec Trainee, I, II, MSD Computer Network Spec II, Lead	42	193,474
DJS	DJS Youth Center Cook I, II, Lead	20	153,737
SDAT	Assessor Supervisor Real Property, Assessor Supervisor Commercial Industrial	26	143,672
MDL	OSHA Compliance Officer Supervisor	8	129,837

Affected Agencies	Class Titles	Total Positions Affected	Total Cost
DNR	Licensing and Registration Tech I, II, III,	12	116,944
DNR	Licensing Registration Center Manager	7	114,825
Statewide	Database Specialist Supervisor and Manager	8	107,406
Statewide	Computer Operator Supervisor, Manager I, and Manager II, IT Production Control Spec Supervisor	16	102,452
MDA	Veterinarian III and IV and (Creation of Vet Supervisor class)	7	101,556
Comptroller	Financial Compliance Auditor Trainee, I, II, Lead	20	98,549
DNR	Licensing and Registration Tech Supervisor	6	82,616
Lottery	Casino Compliance Rep Supervisor	7	67,998
DPSCS	Correctional Dietary Reg Manager General and Correctional Dietary Reg Manager Dietetic	4	53,616
MDH, MDOA, DJS	Nutritionist I, II, III, IV, V, Nutrition Program Trainee	42	53,440
SDAT	Charter Specialist I, II, and III	11	52,622
MDH	Therapy Services Manager	6	51,642
MDH	Music Therapist I, II, Music Therapist CI I, II	9	49,779
DNR	Licensing and Registration Tech Lead	4	49,251

Affected Agencies	Class Titles	Total Positions Affected	Total Cost
MDH	Speech Pathologist Audiologist IV, V	4	39,251
MDH	Registered Dietician III, Registered Dietician CI III, Registered Dietician Dir Control Officer, Director Health Care, Director Health Care CI	6	35,260
MDH	Registered Dietician I, II, Registered Dietician CI I, II	10	32,558
MDH	Speech Pathologist Audiologist I, II, III	3	28,638
Comptroller	Financial Compliance Auditor Supervisor	4	22,576
MDL	Chair Athletic Commission, Athletic Commissioner, Insp Athletic Comm, Referee Athletic, Physician Athletic Commissioner	89	21,074
DNR	Natural Resources Police Pilot	1	15,158
MDH	Music Therapist Supervisor, Music Therapist CI Supervisor	1	6,659
	Total	**3,517**	**$24,590,796**

DJS: Department of Juvenile Services
DNR: Department of Natural Resources
DPSCS: Department of Public Safety and Correctional Services
MDE: Maryland Department of the Environment
MDH: Maryland Department of Health
MDL: Maryland Department of Labor
MDOA: Maryland Department of Aging
MDOT: Maryland Department of Transportation
MSDE: Maryland State Department of Education
SDAT: State Department of Assessments and Taxation

Source: Department of Budget and Management

Appendix 5
Object/Fund Difference Report
Department of Budget and Management – Personnel

Object/Fund	FY 23 Actual	FY 24 Working Appropriation	FY 25 Allowance	FY 24 - FY 25 Amount Change	Percent Change
Positions					
01 Regular	133.60	135.60	138.00	2.40	1.8%
02 Contractual	1.60	4.00	2.00	-2.00	-50.0%
Total Positions	**135.20**	**139.60**	**140.00**	**0.40**	**0.3%**
Objects					
01 Salaries and Wages	$ 109,466,201	$ 349,756,371	$ 525,284,053	$ 175,527,682	50.2%
02 Technical and Special Fees	133,729	253,491	134,625	-118,866	-46.9%
03 Communication	65,245	740,350	730,895	-9,455	-1.3%
04 Travel	1,855	19,300	18,700	-600	-3.1%
07 Motor Vehicles	0	1,250,000	1,250,000	0	0%
08 Contractual Services	10,069,614	9,895,716	14,501,125	4,605,409	46.5%
09 Supplies and Materials	30,365	65,000	65,000	0	0%
10 Equipment – Replacement	25,000	110,400	110,400	0	0%
12 Grants, Subsidies, and Contributions	0	34,500,000	0	-34,500,000	-100.0%
13 Fixed Charges	230,375	237,010	81,962	-155,048	-65.4%
Total Objects	**$ 120,022,384**	**$ 396,827,638**	**$ 542,176,760**	**$ 145,349,122**	**36.6%**
Funds					
01 General Fund	$ 103,283,017	$ 298,348,752	$ 399,565,802	$ 101,217,050	33.9%
03 Special Fund	0	52,729,608	67,811,910	15,082,302	28.6%
05 Federal Fund	0	27,178,078	52,129,112	24,951,034	91.8%
09 Reimbursable Fund	16,739,367	18,571,200	22,669,936	4,098,736	22.1%
Total Funds	**$ 120,022,384**	**$ 396,827,638**	**$ 542,176,760**	**$ 145,349,122**	**36.6%**

Note: The fiscal 2024 appropriation does not include deficiencies or targeted reversions.

Appendix 6
Fiscal Summary
Department of Budget and Management – Personnel

Program/Unit	FY 23 Actual	FY 24 Wrk Approp	FY 25 Allowance	Change	FY 24 - FY 25 % Change
01 Executive Direction	$ 10,541,349	$ 9,933,807	$ 13,705,682	$ 3,771,875	38.0%
02 Division of Employee Benefits	7,629,798	8,906,972	10,257,718	1,350,746	15.2%
04 Division of Employee Relations	5,413,554	5,943,586	6,626,606	683,020	11.5%
06 Division of Classification and Salary	2,268,343	2,317,192	2,367,695	50,503	2.2%
07 Division of Recruitment and Examination	1,350,665	1,553,208	1,712,308	159,100	10.2%
08 Statewide Expenses	92,818,675	368,172,873	507,506,751	139,333,878	37.8%
Total Expenditures	**$ 120,022,384**	**$ 396,827,638**	**$ 542,176,760**	**$ 145,349,122**	**36.6%**
General Fund	$ 103,283,017	$ 298,348,752	$ 399,565,802	$ 101,217,050	33.9%
Special Fund	0	52,729,608	67,811,910	15,082,302	28.6%
Federal Fund	0	27,178,078	52,129,112	24,951,034	91.8%
Total Appropriations	**$ 103,283,017**	**$ 378,256,438**	**$ 519,506,824**	**$ 141,250,386**	**37.3%**
Reimbursable Fund	$ 16,739,367	$ 18,571,200	$ 22,669,936	$ 4,098,736	22.1%
Total Funds	**$ 120,022,384**	**$ 396,827,638**	**$ 542,176,760**	**$ 145,349,122**	**36.6%**

Note: The fiscal 2024 appropriation does not include deficiencies or targeted reversions.