



Maryland

**DEPARTMENT OF BUDGET
AND MANAGEMENT**

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Lieutenant Governor

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Secretary

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Deputy Secretary

DEPARTMENT OF BUDGET AND MANAGEMENT – PERSONNEL

FY 2021 Budget Hearing

Testimony of

**David R. Brinkley, Secretary
Department of Budget and Management**

**Senate Budget and Taxation Committee
February 18, 2020**

**House Appropriations Committee
February 21, 2020**

The Department of Budget and Management (DBM) appreciates this opportunity to respond to the Department of Legislative Services' (DLS) analysis of the Personnel budget. The following testimony addresses the requests for comments in the analysis as well as the DLS recommendations.

DLS ISSUES

Smart Work Student Loan Repayment Program

The Department acknowledges the low participation rate by employees in the Student Loan Repayment Program; however, during the first year of the Program, many classifications that the State initially planned for inclusion were not included as a result of the failure to reach an agreement with AFSCME. During the most recent negotiations, the parties reached an agreement that resulted in an additional 6,500 employees being eligible to participate. With regard to the administrative burden on the applicant noted by DLS, the Department believes that the administrative hurdles are necessary in order to avoid fraudulent reimbursement requests. The Department remains optimistic that employees will embrace the Program in FY 21 and that it will eventually be a significant contributor to the State's retention efforts.

Medicare Part D Implementation and Communication Plan

The Department provided the Budget Committees with a Medicare Part D Communication and Outreach Plan on December 31, 2019 as required by the statute.

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State Agency Vacancy Rates

Like employers nationwide, the State of Maryland is facing significant challenges in the ongoing competition to attract and retain talent. Trends in vacancies track in parallel with the State's strong economy and competitive job market. At the same time, the State is committed to creating efficiencies and fostering a modern workforce in the wake of shifting employee demographics.

Despite personnel trends in recent years, the State continues to receive thousands of applications from prospective new hires interested in the State's compensation and benefits package, generous leave, and student debt relief program, among many other employee offerings. However, the most prominent trend among applicants is the interest in serving the citizens of Maryland, making the State their employer of choice.

The State has, and will continue, to make efforts to recruit and retain employees in positions that are experiencing shortages, as well as for the workforce as a whole. Since fiscal 2019, most State employees have received 8.5% in salary increases (see attached appendix) and \$500 in employee bonuses (with the potential for an additional \$500 January 1, 2021). At the same time, the State has continued to honor its commitments to provide generous pension benefits to State employees and has held health insurance premiums flat, despite rising costs nationwide. Through its Annual Salary Review (ASR) process, the State has created a correctional officer salary schedule and provided targeted increases for almost 5,000 employees, including many of our direct care staff. The recently bargained Correctional Officer Retention Bonus of \$37,500 for correctional officers who agree to delay retirement for four years has been successful at stemming the loss of institutional knowledge as we work to backfill these critically important positions.

DLS RECOMMENDATIONS

DBM concurs with nine (9) of the fourteen (14) operating budget recommendations made by the analyst. The Department does not concur with Recommendations #1, #5, #6, #7, and #14, as described below. With regard to the one recommendation for the Budget Reconciliation and Financing Act, the Department concurs but requests a lower reversion amount.

Operating Budget Actions

Recommendation #1: *Add language restricting funds until the department submits closeout information on the Employee and Retiree Health Insurance Account.*

DBM Response: DBM concurs with the intent of the language; however, we oppose the restriction of \$50,000 pending the submission the report, which has generally been provided in a timely fashion.

Recommendation #5: *Delay the general increase scheduled for January 1, 2021 by three months.*

DBM Response: Oppose. This recommendation does not result in any structural savings. Moreover, a delay in the negotiated salary increase will adversely affect employee morale and further degrade the State's ability to fill positions.

Recommendation #6: *Delay salary increases for SLEOLA members scheduled for July 1, 2020, by three months.*

DBM Response: Oppose. This recommendation does not result in any structural savings. Moreover, a delay in the negotiated salary increase for SLEOLA will adversely affect the morale of the State's uniformed police officers. The increase was negotiated and agreed upon as a means of continuing to recruit and retain high caliber police officers.

Recommendation #7: *Reducing the funding for the Smart Work Program to better reflect actual program usage.*

DBM Response: Oppose. As of January 2020, an additional 6,500 employees became eligible to participate in the Smart Work Student Loan Repayment Program, increasing the total number of eligible employees to 14,500. While the number of applicants for the first year has been less than anticipated, there is a significant interest in the Program among employees in the newly added classifications. While information about the Program is available on the DBM website at <https://dbm.maryland.gov/employees/Pages/SmartWork.aspx> the Department intends to directly contact employees in all the eligible classifications to increase awareness that the Program is for student loans of the employee or the employee's child and is also available to pay for non-traditional post-secondary education like trade schools. A cut to the funding will curtail the Department's ability to aggressively market the Program in order to recruit and retain employees. DBM will commit to reverting any unused funds from this program to the General Fund at the end of the fiscal year.

Recommendation #14: *Add a section to enact a \$10 million, across-the-board reduction to State agency health insurance contributions.*

DBM Response: Oppose. DBM does not agree with the DLS assertion that the State has underestimated higher education contributions to the health insurance fund in FY 20.

Budget Reconciliation and Financing Act Actions

Recommendation #1: *Revert \$1.5 million in fiscal 2020 general funds from the Smart Work program.*

DBM Response: DBM concurs but requests that only \$1.4 million be reverted to ensure that the program is not underfunded in FY 20. The Department anticipates a sudden spike in applications as a result of the addition of 6,500 newly eligible employees.

APPENDIX 1
Recent State Employee Compensation Enhancements
(Cumulative Cost > \$1 Billion)

Fiscal Year 21

- 2% COLA on January 1, 2021
- Potential for an additional \$500 bonus effective January 1, 2021 if revenues exceed projections by \$75 million
- An additional 6,500 positions eligible for \$20,000 Student Loan Repayment Program beginning January 1, 2020
- \$37,500 Correctional Officer Retention Bonus Offer to remain employed for four years
- Implementing a 36-hour workweek at MDH hospital facilities in cooperation with the American Federation of Teachers-Healthcare
- No increase to most health or prescription drug insurance premiums
- 6% additional increase for approximately 2,700 employees in the following classes:
 - Agricultural Inspectors, Agricultural Resource Conservation Specialists, Aviation Maintenance Technicians, Commitment Records Specialists, Developmental Disabilities Associates, Direct Care Assistants, Geriatric Nursing Assistants, Institutional Educators, Licensed Practical Nurses, Nutrient Management Specialists, Public Health Lab Scientists, Psychologists, Social Workers, Soil Conservation Associates, Soil Conservation Engineering Technicians, Women Infant and Children Services Associates, Pretrial Release Investigators, Pretrial Release Case Agents, MdTA Emergency Dispatchers, MdTA Motor Carrier Inspectors, Veterans Benefits Specialists

Fiscal Year 20

- 3% COLA on July 1, 2019
- 1% COLA on January 1, 2020
- In excess of 8,000 positions eligible for \$20,000 Student Loan Repayment Program beginning January 1, 2019
- \$37,500 Correctional Officer Retention Bonus Offer to remain employed for four years
- Establishment of Correctional Officer Salary Schedule to include a 4% adjustment
- Establishment of a statewide Procurement Officer series to include 6% adjustment
- No increase to most health or prescription drug insurance premiums
- 6% additional increase for approximately 1,800 employees in the following classes:
 - Alcohol and Drug Counselors, Registered Nurses (all classifications), Environmental Compliance Specialists, Maintenance Mechanics, Epidemiologists, Mental Health Professional Counselors, Park Service Associate

Fiscal Year 19

- 2% COLA on January 1, 2019
- .5% COLA on April 1, 2019
- \$500 bonus on April 1, 2019
- No increase to most health or prescription drug insurance premiums
- 6% additional increase for approximately 450 employees in the following classes:
 - Police Communications Operators, Police Communications Systems Technicians, Safety Inspectors, Security Attendant (Perkins)