



# Maryland

DEPARTMENT OF BUDGET  
AND MANAGEMENT

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*Lieutenant Governor*

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## DEPARTMENT OF BUDGET AND MANAGEMENT – PERSONNEL FY 2025 Budget Hearing

**Testimony of  
Helene Grady, Secretary  
Department of Budget and  
Management**

**Senate Budget and Taxation Committee  
February 27, 2024**

**House Appropriations Committee  
March 1, 2024**

The Administration appreciates the thorough analysis put forward by the Department of Legislative Services (DLS). Over the last year, the Department, in collaboration with the Governor's Office and our colleagues across State agencies, has focused intensely on efforts to support the Moore-Miller Administration's goal of rebuilding state government. Key initiatives have included:

- **Recruitment and Staffing:** We appreciate the recognition in the DLS analysis of the significant progress with hiring and reducing vacant positions over the past year, even while increasing the number of PINS. During 2023, the State added more than 1,300 net new employees in the Executive Branch after losing a net ~2,600 in the two years prior (2021 and 2022 combined). The Governor's proposed budget includes more than 1,200 new positions and 900 contractual conversions in the Executive Branch. We negotiated new MOUs for the majority of our represented workforce that reflect just over 5% in COLA and step wage increases for everyone, and another more than 2% step increase by January 2025 for employees with more than 4.5 years of continuous State service.
- **Task Force on the Modernization of the State Personnel Management System:** Per a request in the 2023 Joint Chairmen's Report, DBM convened a task force to evaluate opportunities to modernize and improve recruitment, hiring and retention in the State Personnel Management System (SPMS). The task force met 7 times between August and November 2023 and focused on improving the hiring process and applicant experience; pursuing proactive recruitment strategies; improving job attractiveness; expanding career ladders; and reviewing job requirements. The task force issued its report, which includes several key findings and a number of recommended next steps, to the General Assembly in early January. DBM has begun work on several next steps and looks forward to hiring the State's next Executive Director of the Office of Personnel Services and Benefits (OPSB), who

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will be charged with leading our efforts to implement many of the other recommendations.

- **Salary Study:** DBM contracted with PRM Consulting to conduct a salary survey and study. The study found the State's salary range midpoints for our Standard Pay Plan (SPP) are 8.8%, on average, below the composite mean salary midpoints for the peer set (including six surrounding states, six largest Maryland counties, the federal government, and two healthcare/higher education employers). The State's SPP salary range minimums are higher than peers, but the State's salary maximums are lower. The Administration has committed to launching a statewide Labor Management Committee, including representatives from AFSCME, MPEC, and AFT-Healthcare, to explore modifications to the State's Standard and Correctional Salary Schedules, pay equity and salary compression and make recommendations to the Secretary of DBM by August 2024.
- **Statewide Culture Survey:** In collaboration with the Governor's Office, DBM launched the first-ever Statewide Culture Survey. The survey, which launched on January 22, 2024, and ended on February 2, 2024, is intended to be a tool the State uses for generating direct feedback from State employees that will help agency leadership better address challenges across our various workplace cultures and continue to improve on existing strengths. We expect to share the results of the survey and launch the development of action plans in collaboration with agency leadership in the next several weeks.

The Department of Budget and Management's (DBM) responses to the DLS recommendations in the analysis are below. We are available to answer any questions.

**Antidiabetic Prescription Drug Costs: 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.**

DBM has been closely monitoring the increase in utilization and cost of antidiabetic drugs, which is largely driven by the emerging role of GLP-1 agonists. These drugs are increasingly used for weight loss and pre-diabetes management, which is not currently an approved use by the FDA or the State's plan. In response to the off-label use and to help manage costs, the State recently identified approximately 2,000 members who did not meet the criteria for use. Therefore, these members received notice in November 2023 that their continued use of these drugs would require prior authorization for plan year 2024. This decision is expected to result in annual savings of \$10 million to the prescription drug plan.

**Task Force to Modernize the State Personnel Management System (SPMS): 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.**

While the Task Force felt the requirements in statute likely did contribute to hiring times, the Task Force believed the time to hire could be improved within the existing framework. As a result, the Task Force made recommendations that did not require legislative changes, including recommendations to establish best practices for hiring process timelines, increase communication with applicants throughout the process, expand use of open/continuous job postings, and update job titles to make job postings more attractive and understandable. The Task Force did acknowledge that further review of statutory requirements that govern the State's hiring process should be pursued in the future, and that this review will require stakeholders to discuss options that will allow for a more streamlined hiring process while adhering to the competitive recruitment requirements.

DBM has begun work on a number of next steps and looks forward to hiring the State's next Executive

Director of the Office of Personnel Services and Benefits (OPSB), who will be charged with leading our efforts to implement many of the other recommendations.

**DLS Recommendations and DBM Responses**

- (1) DLS recommends reducing funding for one new position by \$36,651 to reflect a turnover rate of 25%.**

DBM Concurs

- (2) DLS recommends adopting committee narrative requesting the department to submit closeout information on the Employee and Retiree Health Insurance Account.**

DBM concurs.

- (3) DLS recommends adopting committee narrative requesting the department to submit quarterly reports on prescription, medical, and dental plan performance reports.**

DBM concurs.

- (4) 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.**

DBM opposes the restriction of these funds. The State negotiated this increase with the representatives of the bargaining units during the recently completed negotiations. The new MOUs containing this provision have been or are in the process of ratification by the 4 unions with whom the State negotiated this additional increment, and DBM feels strongly that this provision should not be modified. This adjustment for longer-tenured employees is intended to help address pay equity and competitiveness issues that occurred as the result of several years without increments for these employees over the last decade and is an important element of our efforts to enhance retention.

- (5) DLS recommends reducing the supplemental pension contribution amount by \$25 million (allowing for a reduction of \$21.6 million in general funds).**

DBM concurs

- (6) 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%.**

DBM respectfully disagrees with this recommendation. DBM believes that this recommendation would have an unintended consequence of slowing agencies' hiring efforts because of uncertainty about how much funding is available to them from the Statewide salary account to support their salary expenses. We appreciate DLS' recognition in the analysis of the significant progress the Administration has made in hiring and retention during the last year, reducing the vacancy rate from 13.1% to 10.4% even while increasing PINS. The budget as submitted reflects an overall vacancy rate of 7.8%, which assumes we continue at about the same level of improvement in hiring over the next year that we've experienced over the past year. We have no reason to believe this momentum will not

continue. DBM respectfully requests that we retain this funding to continue the Administration's and General Assembly's collective focus on Rebuilding State Government.

**(7) DLS recommends deleting funding for the Annual Salary Review (ASR).**

DBM opposes this recommendation. While DBM supports the recommendation from the salary study to reduce the reliance going forward on ASRs, we would note that these increases were negotiated with the representatives of the bargaining units during the recently completed negotiations, and DBM feels strongly that these agreed-upon terms should not be modified. As part of the recent MOU negotiations, the Administration has committed to launching a statewide Labor Management Committee, including representatives from AFSCME, MPEC, and AFT-Healthcare, as a next step to the salary study to explore modifications to the State's Standard and Correctional Salary Schedules, pay equity and salary compression and make recommendations to the Secretary of DBM by August 2024. One goal is for those recommendations to support our movement away from reliance on ASRs going forward while we focus on improving the overall salary scales.

**(8) DLS recommends adding a section for annual language restricting the movement of employees into abolished positions.**

DBM concurs.

**(9) DLS recommends adding a section requiring monthly reporting on the State's workers' compensation account held by the Injured Workers' Insurance Fund.**

DBM concurs.

**(10) DLS recommends adding a section for the annual "Rule of 100" limit on position creation.**

DBM concurs.

**(11) DLS recommends adding a section for annual language requiring a report on State positions.**

DBM concurs.

**(12) DLS recommends adding a section for annual language requiring reporting of employee and retiree health insurance receipts and spending.**

DBM concurs.

**Budget Reconciliation and Financing Act Recommended Actions**

**(1) DLS recommends adding a provision to the Budget Reconciliation and Financing Act (BRFA) of 2024 that would permanently reduce the mandated reinvestment retirement savings contribution 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 schools.**

DBM concurs.