



Friday, February 26, 2016
House Appropriations Committee
Department of Budget and Management – Personnel
Proposed Department of Legislative Services (DLS) Budget Reductions
Robert L. Caret, Chancellor

Chair McIntosh, Vice-Chair Gaines, and members of the Committee, I'm writing to oppose the proposed reduction to the University System of Maryland (USM) operating budget of \$1.4 million.

Page 51: USM proposed budget: DLS recommends reducing the USM increment by \$1.4 million to reflect the State's average.

USM Response: The USM opposes this recommendation.

The analyst appears to suggest that USM employees will receive higher salary increments than State employees because our merit pool is funded at 2.5% (regardless of length of service) and State average for salary increments is 2.4%. But when we examine the differences between the State's step-based increment system and the USM's performance based system, this clearly is not accurate as described below:

- The State provides increments to nearly all of its employees according to a fixed grid consisting of more than 20 grades and 20 steps within each grade.
 - The increments as employees move from step to step are nearly 4% in the initial steps in each grade, and they decrease to approximately 2% in the higher grade steps. So, whenever increments are given, some state employees will receive 3.8% increases, while others may be in the 2% range, according to their place in the grid.
 - Thus, the cost of increment increases in any given year can vary within that 2% to 4% range, depending upon trends in State agency retention of staff, rate of new hires, etc.
 - The average may be 2.4% this year, but next year that average may be higher.
 - Over many years, 2.5% has served as a consistent standard for ensuring that State and USM increment funding, based on the size of our workforce, are roughly equivalent over time. We recommend that this consistent approach be retained this year and into the future.
- So while the labor market for State agency employees may dictate a 2.4% increment increase this year and some other amount (possibly higher depending on the average State employee year of service) in future years, there is no reason to think that the very different USM labor market would follow in lock step from one year to the next.

In conclusion, the 2.5% merit pool funding has served the State well over the long term to provide an equivalence to State increment funding. It provides consistency and fairness, and there is no reason to deviate from it at this time