

## Response to Questions on the FY 2007 Advertised Budget Plan

**Request By:** Supervisor Hudgins

**Question:** Provide information on the Market Rate Adjustment (MRA) for General County employees between FY 2002 and FY 2007.

**Response:**

In FY 2002, the County adopted a Market Index to maintain pay competitiveness in the future and avoid the need for large-scale adjustments to catch up with the market. The Market Index consists of the following components: the Consumer Price Index (CPI) for the Washington-Baltimore area, which represents 70 percent of the index; the Employment Cost Index, which measures the rate of change in employee compensation (private sector, state and local government employees) and accounts for 20 percent of the index; and the Federal Wage Adjustment for the Washington-Baltimore area, which accounts for 10 percent of the index.

The Market Index results in a MRA which is applied to public safety uniformed staff salaries. However, since FY 2001, non-public safety (General County) employee raises are based solely on their performance ratings. However, to ensure that pay scales remain competitive with the market, non-public safety pay scales are adjusted in accordance with the annual market index.

It should be noted that the MRA for FY 2007 is significantly higher than previous years, which ranged from 2.56 to 3.07 percent. Due to the significant spike in energy costs after the natural disasters last year, the CPI data for September, the month typically used by the County for the CPI factor as it was generally the last month available before the decisions on the upcoming budget were made, reflected the substantial short-term jump in the cost of gasoline as a result of damaged refineries in the Gulf of Mexico. It should be noted that applying the CPI data from other available months would have resulted in a significantly lower MRA (approximately 0.5 percentage points less).

The historical MRA data is:

FY 2002 - 3.46%  
FY 2003 - 2.67%  
FY 2004 - 2.56%  
FY 2005 - 2.98%  
FY 2006 - 3.07%  
FY 2007 - 4.25%

It should be noted that in FY 2002, there was also a one percent COLA which was the final phase of the County's transition from annual across-the-board pay increases for employees under pay for performance.