

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 822

(Chair, Appropriations Committee)(By Request -  
Departmental - Budget and Management)

Appropriations

Finance

**State Employee and Retiree Health and Welfare Benefits Program - Participation  
in Program - City of Hyattsville and Satellite Organizations**

This departmental bill authorizes an employee, former employee, or surviving spouse or dependent child of an employee or former employee of the City of Hyattsville who is receiving a specified retirement allowance to participate in the State Employee and Retiree Health and Welfare Benefits Program. It also authorizes designated former employees of satellite organizations, or their dependents, who are enrolled in the program on the bill’s effective date to continue participating in the program, subject to the approval of their respective former employers. Both the City of Hyattsville and the designated satellite organizations may be charged the full cost of their employees’ or former employees’ participation, and they may each determine the extent to which they will subsidize participation in the program.

The bill takes effect July 1, 2014.

**Fiscal Summary**

**State Effect:** None; the bill codifies existing practice and the participating entities already pay the State the full cost of participation for their employees and/or retirees. No effect on revenues.

**Local Effect:** None. The City of Hyattsville already pays the full cost of participation for its employees and retirees.

**Small Business Effect:** The Department of Budget and Management has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

## Analysis

**Current Law:** Subject to specified criteria, State law allows local governmental entities and other specified organizations to participate as “satellite organizations” in the State Employee and Retiree Health and Welfare Program (*i.e.*, the State employees’ and retirees’ health plan). Each satellite organization participates as a separate account and is billed the full cost of its participation by the State. Each satellite organization determines the extent to which it will subsidize its employees’ participation in the program.

In most instances, retirees of satellite organizations are not eligible to continue participating in the program as retirees. However, former employees of the entities listed below, or their surviving spouses and children, may participate in the program as long as they are receiving a retirement benefit from the Employees’ Retirement System or Employees’ Pension System (ERS/EPS):

- Maryland Environmental Service;
- Northeast Maryland Waste Disposal Authority;
- Baltimore Metropolitan Council; and
- Maryland Automobile Insurance Fund.

As with employees who participate, the satellite organizations are billed by the State for the participating retirees or surviving beneficiaries, and the organizations determine the extent to which they subsidize participation in the program.

**Background:** A recent internal audit of the program revealed that retirees of the City of Hyattsville and of the organizations listed below have been participating in the program without the appropriate statutory authorization. In most cases, it is estimated that their participation dates back about 40 years. The other organizations are:

- Appalachian Regional Commission;
- Blind Industries and Services of Maryland;
- Maryland Business Enterprise Program for the Blind; and
- Maryland Classified Employees Association.

The City of Hyattsville is a participating governmental unit (PGU) within ERS/EPS, so its retirees meet the precondition for their participation in the program since they receive an ERS/EPS retirement allowance, but the remaining four entities are not PGUs, so their retirees do not receive the required retirement allowances. The City of Hyattsville advises that 94 employees and 31 retirees are currently enrolled in the program. For the City of Hyattsville, future retirees of the city are authorized to participate in the program under the bill, subject to the approval of the city and their receipt of ERS/EPS benefit

payments. However, the bill only allows current retirees of the other four entities to remain in the program; future retirees are not allowed to participate.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management, City of Hyattsville,  
Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2014  
mm/rhh

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Employee and Retiree Health and Welfare Benefits Program  
– Participation by Satellite Organizations - Retirees

BILL NUMBER: HB 822

PREPARED BY: Department of Budget and Management

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

None