

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 508 (Senators Stone and Frv)

Finance

Transportation - Police Forces - Maryland Transportation Authority Police

This bill merges the Maryland Port Administration (MPA) police force into the Maryland Transportation Authority (MdTA). The MdTA police force would henceforth provide police services to the MPA at MPA facilities. MPA police officers become members of the MdTA police force without diminution in salary and become members of the Law Enforcement Officers' Pension System (LEOPS). This bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Increase in off-budget personnel expenditures for MdTA of \$242,400 in FY 1999 due to increased employer contributions, increasing to \$364,000 in FY 2000 due to increased actuarial liabilities, and increasing 5% per year thereafter, as a result of transferring MPA police to MdTA and enhancing their pension benefits.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Revenues	\$0	\$0	\$0	\$0	\$0
Off-budget Exp	\$242,400	\$364,000	\$382,200	\$401,300	\$421,400
Net Effect	(\$242,400)	(\$364,000)	(\$382,200)	(\$401,300)	(\$421,400)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: Fiscal effects as a result of this proposal come primarily from two areas: (1) increased pension expenditures as a result of the inclusion of MPA police officers into LEOPS; and (2) reduced administrative expenditures as a result of operating one police force rather than two.

Pension Expenditures

Under current law, MPA police officers are members of the Employees' Retirement System or the Employees' Pension System. Under this proposal, MPA police officers employed by MPA, subsequently transferred to and employed by the MdTA on or before July 1, 1998, would have until December 31, 1998 to transfer to the LEOPS. LEOPS offers unreduced retirement benefits after 25 years (versus 30 years in the employees' systems) and more generous benefits.

Current MPA police officers would not be allowed into the LEOPS if they transferred from the Employees' Retirement System (ERS) to the Employees' Pension System (EPS) on or after December 1, 1997. This prevents these police officers from receiving a transfer refund of employee contributions by switching to the EPS, and then transferring to the LEOPS, where there would be no reduction for their lack of employee contributions. The bill also requires an asset transfer from the ERS and EPS to the LEOPS of accumulated employer contributions plus interest for the members who transfer.

The MPA police force currently consists of 49 positions. MdTA advises, however, that only 37 officers would transfer to the MdTA police force (due to vacancies and other factors). The MdTA police force already participates in LEOPS. The Port Administration would reimburse MdTA for all the personnel expenses of these transferred officers; however, MdTA advises that, in the short-term at least, it will pay for the additional pension costs as a result of the inclusion of the former MPA officers in LEOPS.

The MPA police officers have, on average, an estimated salary of \$38,169 and 17.5 years of service. As a result of the change, the employer contribution rate for these officers will increase from 7.13% of pay to 25.6%, an increase of 18.47% of pay per year. This amount is estimated at \$242,386 in fiscal 1999, increasing 5% per year thereafter because of payroll growth. (The LEOPS rate may decline slightly in the out-years because existing liabilities will be spread over a larger pool of participants.)

In addition, the actuary informally estimates that the net additional actuarial liabilities to the Maryland State Retirement and Pension Systems (MSRPS) under the proposal would be \$1.8 million. The \$1.8 million liability is amortized over 20 years through the year 2020. The first year amortization payment is estimated at \$109,500 beginning in fiscal 2000, and increasing approximately 5% per year thereafter. In total, employer contributions are estimated to increase by \$242,386 in fiscal 1999, increasing to \$364,006 in fiscal 2000, increasing 5% per year thereafter.

Administrative Expenditures

Transferring 37 police officers to MdTA will result in MPA retaining 12 unfilled positions. The agency, however, will still be required to reimburse the MdTA for the 37 transferred officers who will continue to provide police protection to MPA facilities. MPA advises that it intends to reallocate the remaining 12 positions and resources internally. To the extent these positions are reallocated and not abolished, there will be no net savings in administrative expenditures.

Information Source(s): Maryland Department of Transportation (Maryland Port Administration and Maryland Transportation Authority); State Retirement Agency; Milliman & Robertson, Inc.; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 1998
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