HB 468

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 468 (Delegate McConkey, *et al.*)
Appropriations

State Personnel - State Subsidy for Health Benefits - Optional Retirement System

This bill provides that for an individual who elected to participate in the State's Optional Retirement Program (ORP) before January 1, 1985 and retired before January 1, 2003, the State health benefits subsidy applies to the costs of coverage for the enrollee and any additional costs of coverage for the enrollee's spouse and dependent children.

The bill takes effect June 1, 2003.

Fiscal Summary

State Effect: Retirement expenditures could increase by $713,300 in FY 2004, of which approximately $499,300 is general funds. Future year estimates reflect 14% annual health insurance inflation. No effect on revenues.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	$0	$0	$0	$0	$0
GF Expenditure	499,300	569,200	648,900	737,800	843,300
Higher Ed Exp.	214,000	244,000	278,100	319,000	361,400
Net Effect	($713,300)	($813,200)	($927,000)	($1,056,800)	($1,204,700)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: An individual may enroll and participate in the State Employee and Retiree Health and Welfare Benefits Program (State health plan) if the individual retired under the Optional Retirement Program (ORP) and: (1) ended service with a State institution of higher education with at least 10 years of service and was at least age 57; (2) ended service with a State institution of higher education with at least 16 years of service; or (3) retired directly from and had at least 5 years of service with a State institution of higher education with a periodic distribution of benefits on or after July 1, 1984.

Retirees who participate in the State's defined benefit pension system are eligible for the full State subsidy of health insurance for themselves and their spouses if they retire with 16 or more years of service. Retirees of ORP are eligible for the State subsidy of health insurance for themselves after 16 years of service, but are not eligible for the spousal subsidy unless they have 25 years of service.

Background: In 1975, certain faculty and staff of State institutions of higher education were given the choice of choosing between the Maryland State Retirement System (MSRS) and ORP. If an individual had chosen to participate in MSRS and had at least 16 years of service, the retiree's spouse and eligible dependents would receive the same State subsidy allowed a State employee. Under ORP, a retiree is not eligible for the spousal subsidy until he or she has 25 years of service.

State Fiscal Effect: Retirement expenditures could increase by an estimated $713,328 in fiscal 2004, which accounts for the bill's June 1, 2003 effective date. The information and assumptions used in calculating the estimate are stated below:

- 400 ORP retirees from State institutions of higher education would be eligible for the State subsidy;
- 160 would choose spousal coverage at an additional $293.61 subsidy per month;
- 24 would choose family coverage at an additional $519.66 subsidy per month; and
- future year estimates reflect 14% health insurance inflation.

It is not possible to determine the exact proportion attributable to State general funds. It is assumed that 70% of personnel costs are associated with State general funds and the other 30% with other restricted and unrestricted funding sources at the University System of Maryland, Morgan State University, and St. Mary's College. Revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland, Department of Budget and Management (Health Benefits Division), Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2003
ncs/jr

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