

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 586 (Delegate Stukes, *et al.*)
 Appropriations

State Personnel - Health and Welfare Benefits Program - Contractual Employees

This bill makes contractual employees and other comparable State employees in independent personnel systems eligible for subsidized health benefits under the State Employee and Retiree Health and Welfare Benefits Program (State plan).

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: State expenditures (all funds) could increase by \$335.5 million in FY 2008 to provide subsidized health benefits to State contractual employees. Out-year expenditure increases reflect a 9% inflation rate for medical costs and a constant number of contractual employees participating in the State plan.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	201.3	219.4	239.1	260.7	284.1
SF Expenditure	67.1	73.1	79.7	86.9	94.7
FF Expenditure	67.1	73.1	79.7	86.9	94.7
Net Effect	(\$335.5)	(\$365.7)	(\$398.6)	(\$434.4)	(\$473.6)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A contractual employee is an individual who provides temporary personal services to the State for pay and who is not employed in a budgeted position. A contractual employee may enroll in the State plan; however, the employee must pay the total cost of the premium in accordance with the direct billing procedures of the Department of Budget and Management (DBM) and may not receive a State subsidy.

Regular State employees may enroll in the State plan and receive a State subsidy of either 80% or 85% of their premium, depending on the coverage option they select.

State Expenditures: A payroll analysis conducted by the Comptroller's Office indicates that there are approximately 35,000 contractual employees in the State after accounting for seasonal variations. The bill does not establish any minimum employment threshold for contractual employees to qualify for health benefits, so it is assumed that all of these individuals would be eligible for subsidized health benefits in the State plan. The Department of Legislative Service does not know for what portion of the year the average contractual employee is employed, so this analysis assumes that each employee would be eligible for a full year of coverage.

DBM reports that the average annual State subsidy is \$10,650 per employee in the State plan. Assuming that 90% of eligible contractual employees elect to participate in the State plan, as is the case with regular State employees, approximately 31,500 contractual employees could enroll in the State plan. Therefore, State expenditures could increase by \$335.5 million in fiscal 2008 to provide subsidized health coverage to participating contractual employees. These expenditures are assumed to be split 60% general funds, 20% special funds, and 20% federal funds. Out-year expenditures reflect a 9% inflation rate for medical costs and a constant number of contractual employees being enrolled in the State plan.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 19, 2007
ncs/ljm

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