

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 935 (Senator Dyson)
Education, Health, and Environmental Affairs

**Department of Natural Resources Police - Transfer of Duties and Responsibilities
to the Department of State Police**

This bill abolishes the Natural Resources Police Force (NRP) and transfers all of its functions, powers, duties, records, equipment, and employees to the Department of State Police (DSP). The transfer of NRP employees to DSP must be done without any diminution in their rights, benefits, or employment and retirement status. They must be placed in a classification or rank that is comparable in duties and responsibilities to their former job. The bill does not affect the term of office of a member of the Aquaculture Coordinating Council.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Expenditures (all funds) for the Department of Natural Resources (DNR) decrease by \$40.7 million in FY 2015, reflecting the transfer of NRP to DSP. DSP expenditures (all funds) increase commensurately by at least \$39.8 million in FY 2015, with a known savings of \$930,200 in FY 2015 as a result of not paying Social Security benefits for NRP officers who transfer to DSP. Significant transition costs in FY 2015 for DSP to transfer NRP officers cannot be reliably estimated and are not accounted for below. The transfer of NRP to DSP may jeopardize the receipt of specified special and federal funds based on high-priority activities and functions currently carried out by NRP. State pension contributions increase by \$2.5 million in FY 2016, as a result of NRP officers transferring from the Law Enforcement Officers' Pension System (LEOPS) to the State Police Retirement System (SPRS), for a net increase in expenditures of \$1.52 million in FY 2016. Out-year costs continue to grow according to actuarial assumptions. No effect on revenues.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	(930,200)	1,519,600	1,563,400	1,607,400	1,652,400
Net Effect	(-)	(\$1,519,600)	(\$1,563,400)	(\$1,607,400)	(\$1,652,400)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: NRP was formed by statute in 1971 by merging the Marine Police with the Wildlife Law Enforcement Division. It serves as a public safety agency with statewide authority to enforce all conservation, boating, and criminal laws, as well as to provide primary law enforcement services for Maryland’s State parks, forests, and public lands owned by DNR. NRP is also responsible for maritime and rural search and rescue and is designated as the State’s lead agency for homeland security on Maryland’s waters. DSP was established as an independent entity in 1994 when it was separated from the Department of Public Safety and Correctional Services. The mission of DSP is to protect Maryland citizens from foreign and domestic security threats, to fight crime, and to promote roadway safety. Its goals are to enforce motor vehicle transportation laws, manage traffic incidents to reduce or minimize disruptions to traffic flow, enforce the State’s criminal laws, conduct homeland security operations, and provide support to State and local law enforcement.

The Aquaculture Coordinating Council formulates and makes proposals to the Governor and General Assembly for advancing Maryland aquaculture. It has 17 members, including 1 representative of NRP. Under the bill, when that individual’s term expires, a representative of DSP will take his or her place.

In 2012, in response to an item in the *Joint Chairmen’s Report*, the Governor’s Office of Crime Control and Prevention (GOCCP) conducted a review of options for consolidating police functions within the State. The review concluded that “the majority of State police forces, primarily due to mission and culture, are not viable candidates for a seamless consolidation that would positively impact public safety.” With regard to the potential for consolidating NRP with DSP, the GOCCP report concluded that, “the mission and responsibilities of the NRP are so unique that a consolidation of the NRP with DSP would not yield any substantial operational improvements. In fact, the consolidation of NRP and DSP would probably weaken the ability to deliver key services to Maryland’s citizens.”

NRP officers belong to LEOPS, and DSP officers belong to their own retirement plan, SPRS. **Exhibit 1** compares the benefit structures of the two plans.

Exhibit 1
LEOPS and SPRS Plan Characteristics

	<u>LEOPS</u>	<u>State Police</u>
Member Contribution	7.0%	8.0%
FY 2015 Employer Contribution	41.4%	83.1%
Social Security	Yes	No
Retirement Eligibility	Age 50 or 25 years of service	Age 50 or 25 years of service (22 years of service if hired before July 1, 2011)
Deferred Retirement Option	5 years	4 years
Benefit Multiplier	2.3%	2.55%

Source: Department of Legislative Services

State Fiscal Effect: The Governor's proposed fiscal 2015 budget includes 312 authorized regular positions for NRP, of which 241 are police officers and 71 are civilian support positions. DNR advises that of the 241 police positions, 220 are currently filled.

The bill specifies that the transfer of employees may not involve any diminution in compensation, benefits, or employment status, so it is assumed that all 312 positions transfer to DSP, even if their transfer creates duplicative or redundant functions within DSP. Therefore, there is no immediate savings from the consolidation of functions between the two forces; over time, there may be some savings due to attrition if redundant positions are eliminated as they become vacant. Moreover, the transfer of civilian employees from NRP to DSP has no effect on State pension costs because they remain members of the Employees' Pension System.

DSP advises that the process of transferring NRP officers to DSP may involve significant transition costs, but these cannot be reliably estimated. In addition, specified federal and special funds in NRP's budget are based on law enforcement activities unique to NRP; a

transfer of these functions to DSP may jeopardize receipt of these funds, requiring them to be replaced by general funds. Any such fund replacement is not reflected in this analysis.

NRP and State Police officers are both subject to collective bargaining, and both have the State Law Enforcement Officers Labor Alliance (SLEOLA) as their exclusive representative. The memorandum of understanding between the State and SLEOLA specifies that the pay scales for NRP and State Police are identical. However, GOCCP's consolidation report found that, for ranks above sergeant, NRP officers are one pay grade below their DSP counterparts. For instance, the pay grade for NRP majors is equivalent to the pay grade for DSP captains. It is assumed that any discrepancy between ranks and pay grades is resolved in order to satisfy the bill's requirement that NRP officers do not experience any diminution in compensation or rank; any possible resolution that results in an increase in compensation has not been factored into this analysis.

As noted in Exhibit 1, DSP officers do not participate in Social Security; therefore, the State does not pay the 6.2% Social Security payroll tax for them, and SPRS members do not pay the 6.2% employee share. By contrast, LEOPS members do participate in Social Security, and the Governor's proposed fiscal 2015 budget includes \$930,200 for the employer's share of the Social Security payroll tax for NRP officers (after accounting for the portion of the tax that is paid to Medicare).

Exhibit 1 also shows that the employer contribution for SPRS is double that of LEOPS, due in large part to the more generous benefits provided to SPRS members, but also due to demographic characteristics unique to State Police officers (such as elevated rates of disability). Although the State saves on the payment of Social Security taxes for NRP officers, the transfer of membership from LEOPS to SPRS results in higher State pension contributions.

Specifically, the General Assembly's consulting actuary advises that the transfer of 220 NRP officers from LEOPS to DSP results in a net increase of \$12.5 million in State pension liabilities and a net increase in normal cost of \$1.6 million. This transfer would first be recognized in the June 30, 2014 actuarial valuation, which establishes State contribution rates for fiscal 2016.

Therefore, in fiscal 2015, the bill results in a *savings* of \$930,200 generated by not paying the employer's share of Social Security costs for NRP officers who are transferred to DSP. However, this savings is likely more than offset by costs to outfit, equip, and train NRP officers in the same manner as State Police officers. Moreover, it does not factor in any other remuneration issues as noted above. Beginning in fiscal 2016, additional pension costs resulting from transferring NRP officers from LEOPS to DSP also more than offset that savings. Amortizing the increased liabilities over the remaining years of

the 25-year closed amortization and adding the full normal cost increase results in fiscal 2016 State pension contributions increasing by \$2.5 million. They are assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds. After factoring in the continued savings from not paying Social Security payroll taxes, the net *increase* in expenditures by DSP in fiscal 2016 is \$1.52 million. Out-year costs increase according to actuarial assumptions.

Additional Comments: NRP officers who transfer to DSP experience a series of additional costs and savings related to the transfer. First, their pension contribution increases from 7.0% of earnable compensation to 8.0%. However, they stop paying the 6.2% employee share of the Social Security payroll tax, for a net increase of 5.2% of compensation.

Finally, under State pension law, members of the State Retirement and Pension System who transfer from one contributory pension system to another contributory pension system must pay the difference in contribution rates between the old system and new (receiving system). Therefore, NRP officers will have to pay the cumulative difference between the contributions they paid to LEOPS and the SPRS contribution rate, plus interest. Since July 1, 2012, the difference has been one percentage point; however, in fiscal 2012 the LEOPS contribution rate was 6.0%, and prior to that it was 4.0% of compensation (a four percentage point difference with the SPRS contribution rate). Therefore, NRP officers with substantial tenure in LEOPS will have to make a significant payment to make up the difference between their LEOPS contribution rate and the SPRS contribution rate, possibly well in excess of \$10,000. Alternatively, they may choose not to make that payment and be subject to an equivalent actuarial reduction to their benefit payment upon their retirement. Also, if they retire from SPRS before five years have elapsed, they are paid the benefits they would have received had they remained in LEOPS during that time.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of State Police, Governor's Office of Crime Control and Prevention, Cheiron, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2014
ncs/ljm

Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510