

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 382

(Senator McFadden)

Finance

Appropriations

**State Employee and Retiree Health and Welfare Benefits Program -
Participation by Satellite Organizations**

This bill clarifies that the definition of a “qualifying not-for-profit organization” that may participate in the State Employee and Retiree Health and Welfare Benefits Program (State plan) includes a corporation, limited liability company, or any other entity wholly owned by the Legal Aid Bureau, Inc.

Fiscal Summary

State Effect: None. The change is technical in nature and does not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Certain qualifying not-for-profit organizations may participate in the State plan. They include (1) the Legal Aid Bureau, Inc.; (2) the Maryland Crime Victim’s Resource Center; or (3) an organization that receives State funds from the Department of Health and Mental Hygiene that cover more than one-third of the organization’s operating expenses. The organizations must pay to the State plan a premium and any administrative costs as determined by the Department of Budget and Management (DBM). A qualifying not-for-profit organization must determine the extent to which the organization will subsidize participation by its employees in the State plan. Employees of non-State organizations and entities that participate in the State plan do not receive State subsidies.

Background: Legal Aid Bureau, Inc. is a private, nonprofit law firm providing free legal services to low-income people statewide in 12 offices and several self-help centers. Legal Aid has about 300 employees, all of whom currently have access to health insurance through the State plan. About 20 employees are assigned to self-help centers (including a call center) that provide brief advice and counsel to nonrepresented litigants. Due to the different nature of services provided at the self-help centers, Legal Aid has been advised to move these 20 employees into a subsidiary. The bill is intended to ensure that these employees can retain access to their current health insurance under the State plan.

Additional Comments: DBM advises that recent guidance from the Internal Revenue Service notes that coverage of non-State employees in the State plan may jeopardize the State's exemption from the Employee Retirement Income Security Act of 1974 (better known as ERISA) as a governmental plan. DBM notes that continued participation of satellite entities in the State plan may present a threat to its governmental plan status.

Additional Information

Prior Introductions: None.

Cross File: HB 991 (Delegates Lierman and Brooks) - Appropriations.

Information Source(s): Legal Aid Bureau, Inc.; Department of Budget and Management; Department of Health and Mental Hygiene; Department of Legislative Services

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