

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 417

(Senator Feldman)

Budget and Taxation

Appropriations

**State Employee and Retiree Health and Welfare Benefits Program – Eligibility
for Enrollment and Participation (Independent Agency Health Insurance Option
Act)**

This bill authorizes employees of the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) and the Maryland Clean Energy Center (MCEC) to participate in the State Employee and Retiree Health and Welfare Benefits Program under specified circumstances. The Secretary of Budget and Management must, within 60 days of the effective date of the bill, determine whether the entities are eligible to enroll and participate in the health insurance benefit options under the program. The Secretary must notify the Department of Legislative Services (DLS) within five days of making the determination. If an entity is eligible, its employees may enroll and participate in the program. The entity must pay the State the total costs for each employee's participation. If both entities are ineligible to participate, the bill terminates. The bill also requires the Secretary, by December 1, 2022, to submit a specified report on participation by non-State entities in the program. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: The Department of Budget and Management (DBM) can determine whether the entities are eligible to enroll and participate in the program and submit the required report using existing budgeted resources. To the extent that an entity is determined eligible, and its employees elect to participate, DBM revenues and expenditures increase to reflect payment for the total costs of participation of the entity's employees.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: If the Secretary determines that MARBIDCO or MCEC is eligible to participate, an employee of that entity can participate in the program with approval of the entity. To participate in the program, an entity must (1) pay the State the total costs resulting from the participation of its employees in the program and (2) determine the extent to which the entity will subsidize participation of its employees in the program.

By December 1, 2022, the Secretary must submit a report to the Senate Budget and Taxation Committee and the House Appropriations Committee on participation by non-State entities in the program, including (1) the non-State entities approved to participate in the program; (2) the benefits in which employees and retirees of each entity are eligible to participate; (3) the aggregate number of employees and retirees of non-State entities participating in the program; and (4) the employer subsidies provided by each participating entity.

Current Law: The State Employee and Retiree Health and Welfare Benefits Program offers medical, prescription, and dental plans to active employees and State retirees, as well as flexible spending accounts, term life insurance, and accidental death and dismemberment plans.

Statute specifies certain organizations or entities whose employees are eligible to participate in the program as a separate account, or “satellite organizations.” Employees of county and municipal governments and local boards of education may enroll and participate in the program with the approval of the respective governing body. The governing body must pay the State the total cost resulting from the participation of its employees and determine the extent to which the governing body will subsidize its employees’ participation.

Certain qualifying nonprofit organizations may also participate as satellite organizations. They include (1) an organization that receives State funds from the Maryland Department of Health that cover more than one-third of the organization’s operating expenses; (2) the Legal Aid Bureau, Inc., or specified entities wholly owned by the Legal Aid Bureau, Inc.; or (3) the Maryland Crime Victims’ Resource Center. The organizations must pay to the State a premium and any administrative costs as determined by the Secretary. A qualifying not-for-profit organization must determine the extent to which the organization will subsidize participation by its employees in the program. Employees of non-State organizations and entities that participate in the program may not receive State subsidies.

The participation of a satellite organization in the program may not impede, undermine, or conflict with the program’s federal compliance obligations or governmental and cafeteria plan status, as defined in federal law (26 U.S.C. § 125).

MARBIDCO is a quasi-public economic development organization chartered by the State. Its mission is to help Maryland's farm, forestry, and seafood businesses to prosper through the provision of targeted financial and other services that helps retain existing resource-based industry production and commerce, promote rural entrepreneurship, and nurture emerging or expanding agricultural enterprises.

MCEC was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. The purpose of MCEC is to (1) promote economic development and jobs in the clean energy industry sector; (2) promote the deployment of clean energy technology; (3) serve as an incubator for the development of the clean energy industry; (4) collect, analyze, and disseminate industry data; and (5) provide outreach and technical support to further the clean energy industry. MCEC may make grants or provide equity investment financing to clean energy technology-based businesses and may borrow money and issue bonds consistent with its purpose.

State Fiscal Effect: DBM can determine whether the entities specified under the bill are eligible to enroll and participate in health insurance benefit options under the program and submit the required report using existing budgeted resources.

However, DLS notes that, should both entities be found ineligible to participate in the program, the bill would terminate by September 30, 2022, and the report would no longer be required to be submitted.

Additional Comments: DBM further advises that the Secretary, in consultation with legal counsel, makes determinations regarding participation in the program on a case-by-case basis. Extending coverage to individuals who are not employed by an eligible governmental entity or nonprofit conflicts with State law and may risk the program's governmental plan status and result in loss of the program's pre-tax payment features.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 379 (Delegate Korman) - Appropriations.

Information Source(s): Department of Commerce; Department of Budget and Management; Department of Legislative Services

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