

# C94I00

## Subsequent Injury Fund

### Program Description

The Subsequent Injury Fund (SIF) compensates injured workers whose preexisting injuries, diseases, or congenital conditions are substantially worsened by a current injury. SIF receives special funds from a 6.5% assessment on (1) awards against employers or insurers for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements.

The purpose of SIF is to encourage the employment of disabled individuals by limiting an employer's liability if a subsequent occupational injury renders an individual permanently disabled or result in death. Employers or their insurers are liable only for damage caused by the current workplace injuries. SIF incurs the additional liability for damage resulting from the combined effects of all injuries and conditions. SIF's mission addresses the need to (1) efficiently defend SIF resources against inappropriate use; (2) provide monetary benefits to qualified disabled workers injured on the job in accordance with awards passed by the Workers' Compensation Commission (WCC); and (3) maintain the adequacy and integrity of the SIF fund balance.

### Operating Budget Summary

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**Fiscal 2026 Budget Increases \$152,387, or 4.8%, to \$3.4 Million**  
(\$ in Thousands)



Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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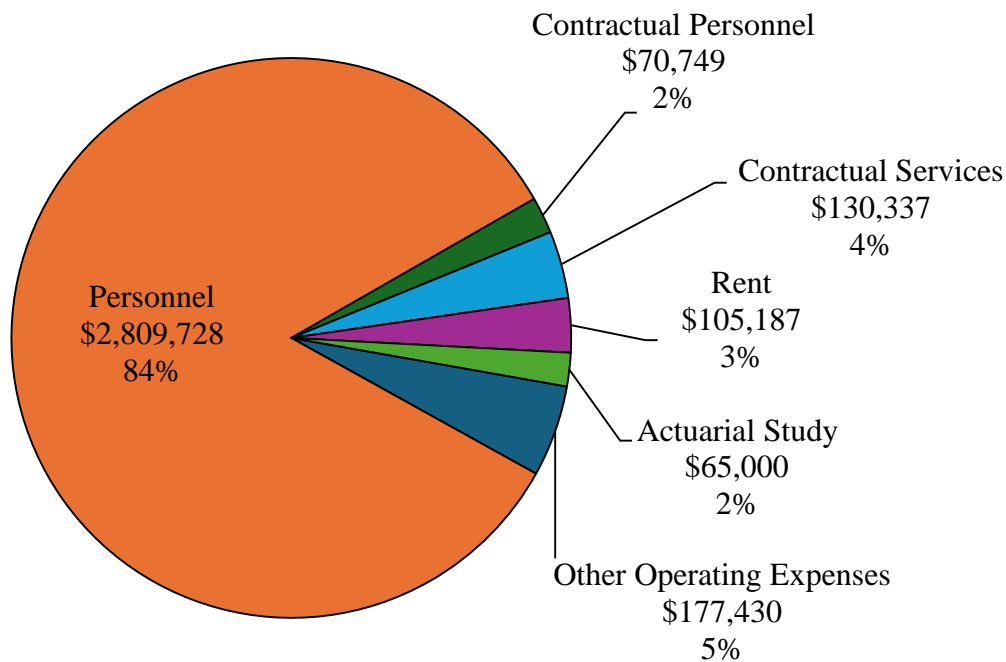
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## Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for SIF totals \$3.4 million. As shown in **Exhibit 1**, the majority of the fiscal 2026 allowance (\$2.8 million, or 84%) supports personnel costs, for 17 regular positions and 1 contractual full-time equivalent. Contractual services and personnel comprise \$201,086, or 6% of the fiscal 2026 allowance.

**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2026 Allowance**



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2025 Budget Books

**Proposed Budget Change**

As shown in **Exhibit 2**, SIF’s fiscal 2026 allowance increases by a net of \$152,387 compared to the fiscal 2025 appropriation. The largest spending increase of \$193,051 for salaries occurs mainly due to fiscal 2025 cost-of-living adjustments and increments not yet accounted for in the agency’s fiscal 2025 budget. The largest decrease of \$74,800 for employee and retiree health insurance is due to the State no longer paying prescription drug coverage for retirees due to Chapter 397 of 2011 that was made effective on January 1, 2025. SIF’s security alarm system line item decreases by \$32,784 due to the agency replacing the system in fiscal 2025 with plans for the transition to be complete before the start of fiscal 2026.

**Exhibit 6  
Proposed Budget  
Subsequent Injury Fund  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>Special Fund</u></b>	<b><u>Total</u></b>
Fiscal 2024 Actual	\$3,040	\$3,040
Fiscal 2025 Working Appropriation	3,206	3,206
Fiscal 2026 Allowance	<u>3,358</u>	<u>3,358</u>
Fiscal 2025-2026 Amount Change	\$152	\$152
Fiscal 2025-2026 Percent Change	4.8%	4.8%
<b>Where It Goes:</b>		<b><u>Change</u></b>
<b>Personnel Expenses</b>		
Salary increases and associated fringe benefits including fiscal 2025 cost-of-living adjustment and increments .....		\$193
401K retirement plan State of Maryland match to the first \$600 that each employee saves .....		10
Employee and retiree health insurance .....		-75
<b>Other Changes</b>		
Actuarial study to determine if SIF’s funding mechanism is adequate .....		65
Statewide cost allocations .....		10
Undergraduate and graduate degree reimbursement costs .....		8
Arbitration hearing and legal transcript costs .....		2
New and renewal software license purchases .....		2
Supplies and equipment .....		-32

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<b>Where It Goes:</b>	<b><u>Change</u></b>
Security alarm systems .....	-33
Other changes .....	2
<b>Total</b>	<b>\$152</b>

SIF: Subsequent Injury Fund

Note: Numbers may not sum to total due to rounding. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

***Personnel Data***

	<b><u>FY 24</u></b>	<b><u>FY 25</u></b>	<b><u>FY 26</u></b>	<b><u>FY 25-26</u></b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	17.00	17.00	17.00	0.00
Contractual FTEs	<u>2.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>19.00</b>	<b>18.00</b>	<b>18.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/24	1.00	5.88%
Vacancies Above Turnover	1.00	

- As of December 2024, 1 position has been vacant for less than three months.

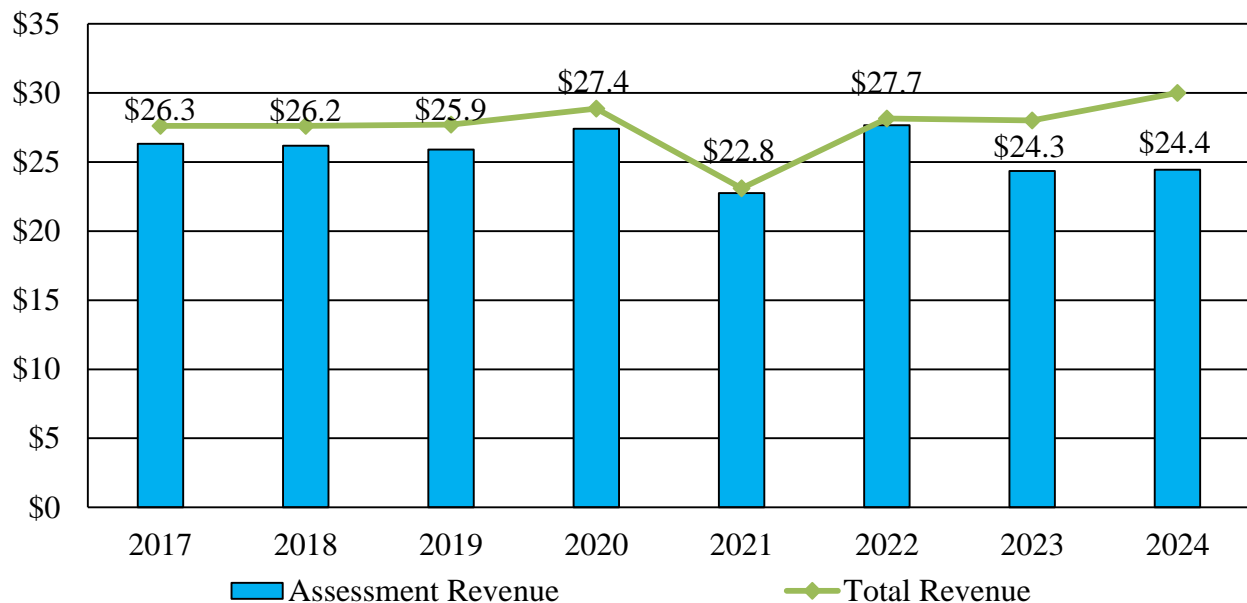
## Key Observations

### 1. Fund Balance Increase

SIF receives special funds from an assessment on awards against employers or insurers for permanent disability or death and amounts payable by employers or insurers under settlement agreements. Also, SIF earns interest on the fund balance. To send dollars to the Uninsured Employers’ Fund to help with their declining fund balance, Chapter 495 of 2020 reduced SIF’s assessment from 6.5% to 5.5% in fiscal 2021 only. Currently, SIF has a 6.5% assessment on awards by WCC against employers or insurers for employee job related injury(s). The assessment funds both the SIF operating budget and benefit payments. Furthermore, the assessment builds reserves for the payment of benefits to qualified disabled workers injured on the job in accordance with awards approved by WCC.

**Exhibit 3** shows assessment revenues and total revenues (assessments plus interest earnings) for fiscal 2017 through 2024. In fiscal 2024, the assessments collected increased slightly by \$96,323, or 0.4%, to \$24.4 million compared to fiscal 2023.

**Exhibit 3**  
**Subsequent Injury Fund Revenues**  
**Fiscal 2017-2024**  
**(\$ in Millions)**



Source: Department of Budget and Management

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The interest on the fund balance increased by \$1.9 million, or 52%, to \$5.6 million in fiscal 2024 compared to fiscal 2023 continuing an upward trend where the interest earnings increased by a significant \$5.1 million, or 1,021%, from fiscal 2022 to 2024. The increase in revenues and interest earnings help increase the fund balance. **Exhibit 4** shows how the fund balance increases at an average rate of 4.4% from fiscal 2012 to 2024. The closing fund balance for fiscal 2024 was \$130.6 million.

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**Exhibit 4**  
**Subsequent Injury Fund Balance**  
**Fiscal 2012-2025 Estimated**  
**(\$ in Thousands)**

<u>Fiscal Year</u>	<u>Balance</u>	<u>Percent Change</u>
2012	\$78,107	
2013	80,989	3.69%
2014	81,244	0.31%
2015	82,185	1.16%
2016	85,260	3.74%
2017	90,670	6.35%
2018	95,294	5.10%
2019	100,510	5.47%
2020	106,784	6.24%
2021	108,273	1.39%
2022	114,265	5.53%
2023	121,584	6.41%
2024	130,632	7.44%
2025 Estimated	137,905	5.57%

Source: Subsequent Injury Fund

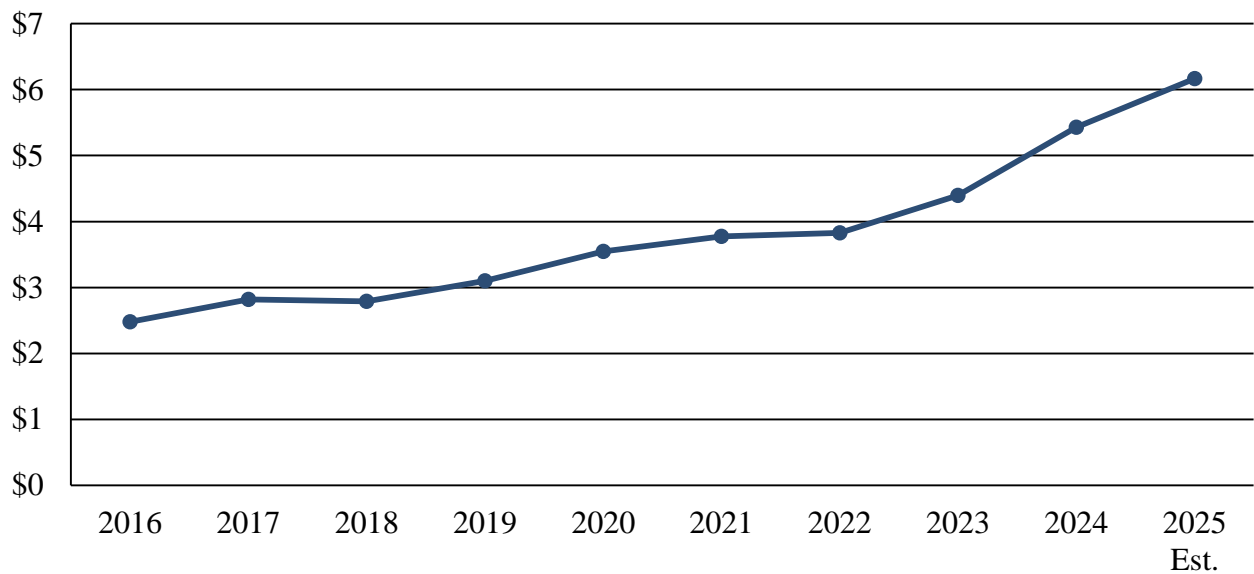
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SIF holdings are intended to provide the source of capital that offsets future liabilities whose value is calculated periodically by an actuarial study. An actuarial study is a financial analysis conducted by an actuary to assess the health of SIF by analyzing the fund's current financial status, projected future liabilities, and necessary contribution rates to ensure its long-term solvency. The January 2022 actuarial study showed SIF had liabilities between \$314.8 million and \$548.2 million based on disability and healthy mortality assumptions. The study also showed that if SIF's assessment is decreased to 5.5%, the agency will be put at risk of being financially insolvent in the long term. The fiscal 2026 allowance includes \$65,000 to do an updated actuarial study.

## 2. Cost Per Claim Continues to Rise

**Exhibit 5** shows the average cost per claim considering SIF’s expenditures and cases resolved. Different cases merit different costs in terms of medical exams, depositions, and other legal fees. The average cost per claim in fiscal 2024 increased by \$1,031, or 23%, to \$5,428 compared to fiscal 2023, which continues the steady upward trend since fiscal 2018. This is due to several, multi-year Statewide employee salary and fringe benefit increases, leading to higher SIF costs per case resolved. The ratio of expenses to collections has consistently remained below 1 in the last decade, which means the fund balance will continue to grow even though the cost per claim increases.

**Exhibit 5**  
**Cost Per Resolved Claim**  
**Fiscal 2016-2025 Estimated**  
**(\$ in Thousands)**



Source: Department of Budget and Management

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.



**Appendix 1  
Object/Fund Difference Report  
Subsequent Injury Fund**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	17.00	17.00	17.00	0.00	0%
02 Contractual	2.00	1.00	1.00	0.00	0%
<b>Total Positions</b>	<b>19.00</b>	<b>18.00</b>	<b>18.00</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 2,713,366	\$ 2,680,515	\$ 2,809,728	\$ 129,213	4.8%
02 Technical and Special Fees	50,461	140,931	151,749	10,818	7.7%
03 Communication	12,568	16,800	15,700	-1,100	-6.5%
04 Travel	17,376	23,500	23,000	-500	-2.1%
08 Contractual Services	101,291	117,559	195,337	77,778	66.2%
09 Supplies and Materials	8,496	40,500	13,500	-27,000	-66.7%
10 Equipment – Replacement	565	0	0	0	0.0%
11 Equipment – Additional	0	15,000	10,000	-5,000	-33.3%
12 Grants, Subsidies, and Contributions	12,000	12,000	12,000	0	0%
13 Fixed Charges	123,083	123,455	124,417	962	0.8%
14 Land and Structures	534	35,784	3,000	-32,784	-91.6%
<b>Total Objects</b>	<b>\$ 3,039,740</b>	<b>\$ 3,206,044</b>	<b>\$ 3,358,431</b>	<b>\$ 152,387</b>	<b>4.8%</b>
<b>Funds</b>					
03 Special Fund	\$ 3,039,740	\$ 3,206,044	\$ 3,358,431	\$ 152,387	4.8%
<b>Total Funds</b>	<b>\$ 3,039,740</b>	<b>\$ 3,206,044</b>	<b>\$ 3,358,431</b>	<b>\$ 152,387</b>	<b>4.8%</b>

Note: The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.