

C94I00

Subsequent Injury Fund

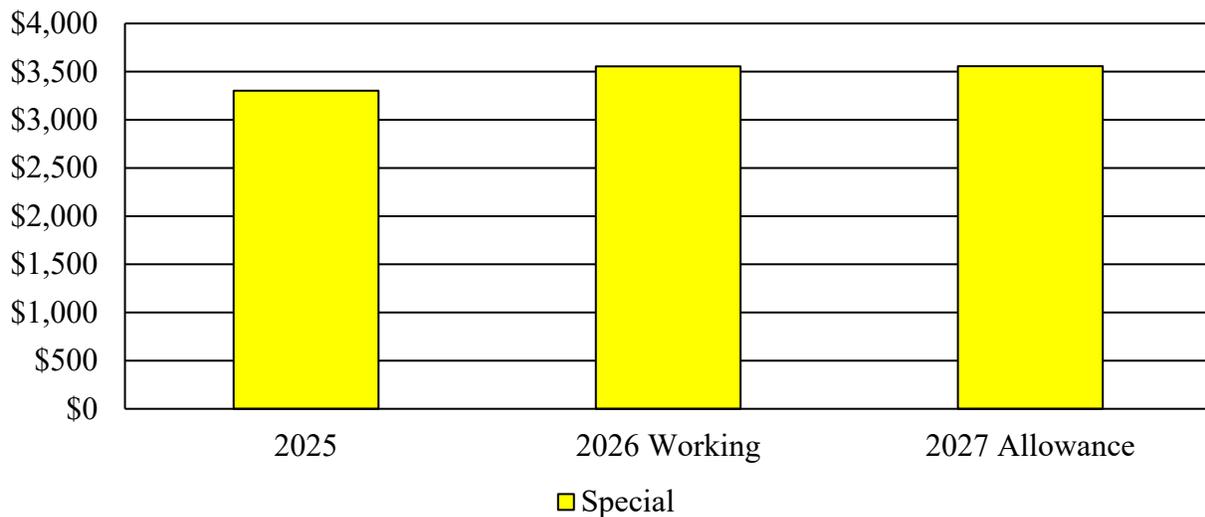
Program Description

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

Fiscal 2027 Budget Increases \$2,529, or 0.1%, to \$3.6 Million
(\$ in Thousands)



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

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Fiscal 2026

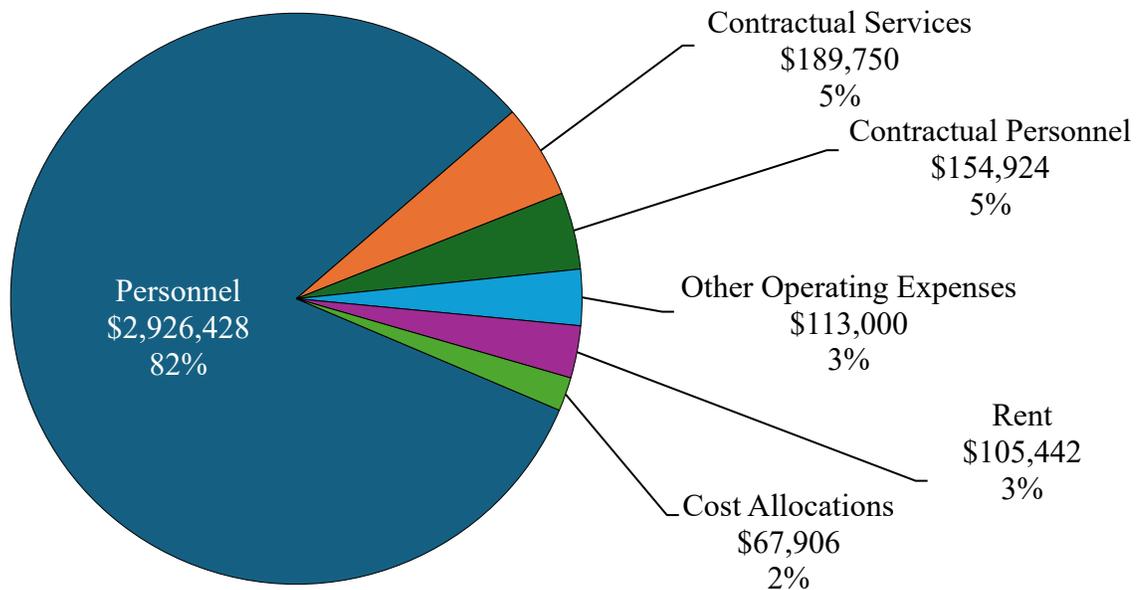
Proposed Deficiency

SIF has personnel deficiencies totaling \$179,510, which includes shortfalls related to lower than expected vacancy savings, accrued leave payouts, and a temporary job sharing due to a transitional period resulting in an overlap in employment. The fiscal 2026 budget also includes deficiencies for replacement of the claims management software (\$25,000) and one-time office space modifications (\$27,835).

Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance for SIF totals \$3.6 million. As shown in **Exhibit 1**, the majority of the fiscal 2027 allowance (\$2.9 million, or 82%) supports personnel costs for 17 regular positions and 1 contractual full-time equivalent (FTE).

Exhibit 1
Overview of Agency Spending
Fiscal 2027 Allowance



Note: The fiscal 2027 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 2027 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, SIF’s fiscal 2027 allowance increases by a net of \$2,529 compared to the fiscal 2026 appropriation. Personnel expenses decrease by a net of \$26,955 primarily due to two fiscal 2026 deficiency appropriations for a temporary job sharing (\$98,523) and accrued leave payouts (\$45,132), which more than offset increases largely due to employee and retiree health insurance. The largest increase of \$91,675 is for the hiring of a contractual FTE, information technology assistant director I. A decrease of \$24,250 is related to office interior modifications during fiscal 2026.

Exhibit 2
Proposed Budget
Subsequent Injury Fund
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Total</u>
Fiscal 2025 Actual	\$3,302	\$3,302
Fiscal 2026 Working	3,555	3,555
Fiscal 2027 Allowance	3,557	3,557
Fiscal 2026-2027 \$ Change	\$3	\$3
Fiscal 2026-2027 % Change	0.07%	0.07%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Employee and retiree health insurance	\$89
Salary and associated fringe benefit adjustments	27
One-time deficiency appropriation for accrued leave payouts	-45
One-time deficiency appropriation resulting from a temporary job sharing	-99
Other fringe benefit adjustments	1
Other Changes	
Contractual employee salary and fringe benefits for a new information technology assistant director I	92
New and renewal software license purchases.....	31
Management of finance operations: collection; disbursement; and reporting.....	16
Office supplies and equipment	6
Medical service support.....	-10
Cost allocations.....	-20

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Where It Goes:	<u>Change</u>
Office interior modifications	-24
One-time funding for an actuarial study on funding adequacy	-65
Other changes	4
Total	\$3

Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Department of Budget and Management

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	17.00	17.00	17.00	0.00
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	18.00	18.00	18.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/25	1.20	7.06%
 Vacancies Above Turnover	 1.00	

- As of December 31 2025, the 1.2 vacant positions have been vacant for less than six months.

Key Observations

1. Fund Balance Continues to Increase

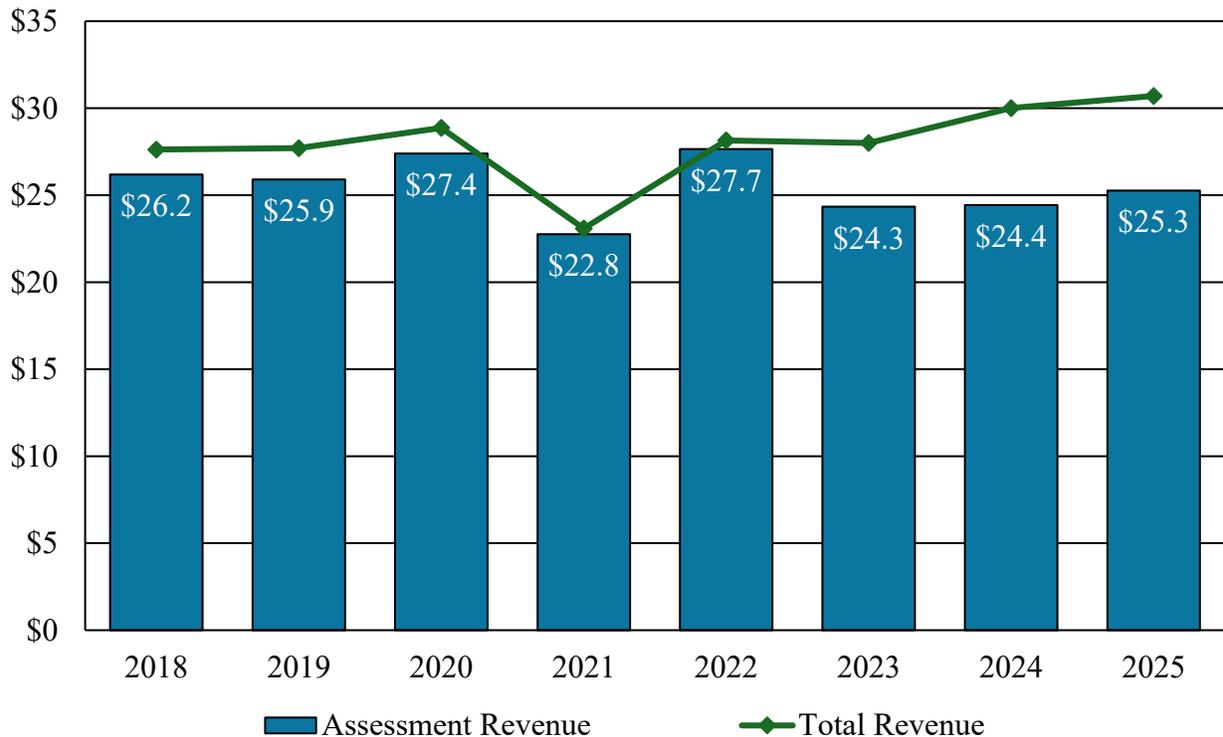
SIF receives special funds from an assessment on awards against employers or insurers for permanent disability or death and amounts payable by employers or insurers under settlement agreements. Also, SIF earns interest on the fund balance. To send dollars to the Uninsured Employers’ Fund to help with its declining fund balance, Chapter 495 of 2020 reduced SIF’s

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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 2018 through 2025. In fiscal 2025, the assessments collected increased by \$832,599, or 3.41%, to \$25.3 million compared to fiscal 2024. The interest on the fund balance (representing the difference between assessment and total revenue) increased by \$3.2 million, or 637.8%, to \$3.7 million from fiscal 2022 to 2023 due to higher interest rates. The interest decreased by \$134,876, or 2.4%, to \$5.4 million in fiscal 2025 compared to fiscal 2024. Despite the decrease, the interest in fiscal 2025 is still substantially higher than the interest received prior to fiscal 2023. The recent increase in interest has resulted in increased fund balance.

Exhibit 3
Subsequent Injury Fund Revenues
Fiscal 2018-2025
(\$ in Millions)



Source: Department of Budget and Management

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Exhibit 4 shows the fund balance and year-over-year growth in the balance. Between fiscal 2013 and 2022, the fund balance grew by an average rate of 3.9%. Between fiscal 2023 and 2025, the average growth rate was much higher at 7.1%. The closing fund balance for fiscal 2025 was \$140.5 million.

Exhibit 4
Subsequent Injury Fund Balance
Fiscal 2013-2026 YTD
(\$ in Thousands)

<u>Fiscal Year</u>	<u>Balance</u>	<u>% Change</u>
2013	\$80,989	
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	140,473	7.53%
2026 Estimated	147,823	5.23%

YTD: year to date

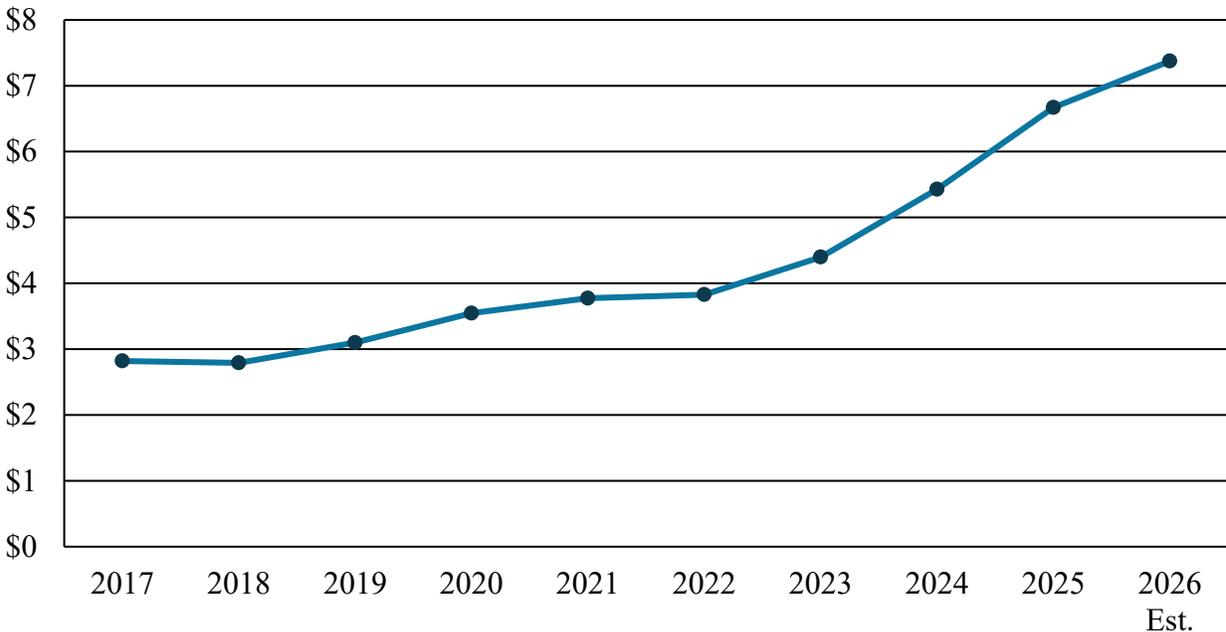
Source: Subsequent Injury Fund

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 appropriation includes \$65,000 to complete a new actuarial study. Lewis & Ellis has been contracted to complete the actuarial study. The report is expected to be completed by March 2026.

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 2025 increased by \$1,242, or 23%, to \$6,670 compared to fiscal 2024. From fiscal 2018 through 2025, the average cost per claim increases in each consecutive year. This results from both increases in expenditures driven by statewide employee salary increases in recent years and decreases in the number of cases resolved. The number of cases resolved decreased by 27% (or 184 cases) between fiscal 2022 and 2025. In fiscal 2025, the number of cases resolved decreased by 65, or 11.6%, to 495 cases compared to fiscal 2024. The decline in resolved cases is a reflection of the decreased number of new cases, which has decreased due to a decline in Maryland manufacturing and heavy industrial employers, and an employer emphasis on risk management and workplace safety. The ratio of expenses to collections has consistently remained below one 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 2017-2026 Estimated
(\$ in Thousands)



Source: Department of Budget and Management

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

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**Appendix 1
Audit Findings**

Audit Period for Last Audit	November 1, 2020 – September 30, 2024
Issue Date	March 2025
Number of Findings	0
Number of Repeat Findings	0
% of Repeat Findings	0%
Rating: (if applicable)	n/a

This audit did not disclose any findings.

Appendix 2
Object/Fund Difference Report
Subsequent Injury Fund

<u>Object/Fund</u>	<u>FY 25</u> <u>Actual</u>	<u>FY 26</u> <u>Working</u> <u>Appropriation</u>	<u>FY 27</u> <u>Allowance</u>	<u>FY 26 - 27</u> <u>\$ Change</u>	<u>% Change</u>
Positions					
01 Regular	17.00	17.00	17.00	0.00	0.0%
02 Contractual	1.00	1.00	1.00	0.00	0.0%
Total Positions	18.00	18.00	18.00	0.00	0.0%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$2,866,010	\$2,953,383	\$2,926,428	-\$26,955	-0.9%
02 Technical and Special Fees	96,567	151,749	233,424	81,675	53.8%
03 Communications	13,261	15,700	15,700	0	0.0%
04 Travel	14,497	23,000	23,000	0	0.0%
08 Contractual Services	113,206	220,337	182,725	-37,612	-17.1%
09 Supplies and Materials	10,152	13,500	14,500	1,000	7.4%
10 Equipment – Replacement	5,307	5,235	20,000	14,765	282.0%
11 Equipment – Additional	10,337	10,000	0	-10,000	-100.0%
12 Grants, Subsidies, and Contributions	12,000	12,000	12,000	0	0.0%
13 Fixed Charges	127,229	124,417	128,373	3,956	3.2%
14 Land and Structures	33,017	25,600	1,300	-24,300	-94.9%
Total Objects	\$3,301,583	\$3,554,921	\$3,557,450	\$2,529	0.1%
Funds					
03 Special Funds	\$3,301,583	\$3,554,921	\$3,557,450	\$2,529	0.1%
Total Funds	\$3,301,583	\$3,554,921	\$3,557,450	\$2,529	0.1%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.