

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

Senate Bill 574 (Senator Munson, *et al.*)
 Budget and Taxation

Public Safety - Officer or Emergency Personnel Death in Line of Duty - Death Benefit

This bill increases, from \$50,000 to \$100,000, the death benefit that must be paid by the Department of Public Safety and Correctional Services (DPSCS) to the surviving spouse, child, dependent parent, or estate of each of the following individuals who is killed or dies in the performance of duties on or after July 1, 1989: (1) a law enforcement officer; (2) a correctional officer; (3) a volunteer or career firefighter or rescue squad member; or (4) a sworn member of the office of State Fire Marshal.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: General fund expenditure increase of about \$5.6 million in FY 2007, including adjusted payments to beneficiaries going back to FY 1990. The out-years reflect an assumption of seven death benefit payments per year at a cost of \$100,000 plus an assumed Consumer Price Index (CPI) adjustment growth of about 3% per year.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	5,629,900	865,200	891,200	917,900	945,400
Net Effect	(\$5,629,900)	(\$865,200)	(\$891,200)	(\$917,900)	(\$945,400)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A death benefit of \$50,000 must be paid by DPSCS to the surviving spouse, child, dependent parent, or estate of each of the following individuals who is killed or dies in the performance of duties on or after July 1, 1989: (1) a law enforcement officer; (2) a correctional officer; (3) a volunteer or career firefighter or rescue squad member; or (4) a sworn member of the office of State Fire Marshal. Reasonable funeral expenses, not exceeding \$10,000, must be paid to the same persons.

Beginning in fiscal 1999, the death benefit provided in the prior fiscal year must be adjusted by any change in the calendar year preceding the fiscal year in the CPI.

A death benefit under these provisions is in addition to: (1) any workers' compensation benefits; (2) the proceeds of any form of life insurance, regardless of who paid the premiums; and (3) the funeral benefit provided under these provisions. The funeral benefit must be reduced by the amount of any paid and related workers' compensation benefits.

Payments of death or funeral benefits must be made out of money that the Governor includes for that purpose in the State budget.

Effective July 1, 2005, Chapter 427 of 2005 specifies the circumstances under which an individual who dies from a heart attack or stroke is presumed to have died in the performance of duties, including that the heart attack or stroke occurred: (1) while the individual was engaged in specified stressful activity; (2) while on duty after such activity; or (3) no later than 24 hours after such activity. The presumption is not overcome by competent medical evidence to the contrary.

Members of the State Police Retirement System, the Law Enforcement Officers' Pension System, and the Correctional Officers' Retirement System are entitled to special line-of-duty death benefits for (1) the member's accumulated contributions; and (2) an amount equal to the member's annual compensation at the time of his or her death if the member has at least one year of eligible service. Beneficiaries who receive only lump sum death benefits, are not eligible to participate in the State's employee and retiree health insurance program.

The surviving spouse of a member of either the Employees' Pension System or the Teachers' Pension System is entitled to an annual allowance if the member was eligible to retire, had at least 25 years of eligibility service, or was at least 55 years old and had 15 years of eligibility service.

Background: An additional death benefit of \$50,000 must be paid by the Department of Budget and Management (DBM) to the survivors of a public safety employee of the State who is killed in the performance of duties on or after July 1, 2000. Local government public safety employees are not covered under this provision. In a typical year, DBM makes no more than one or two such payments.

An individual who receives a death benefit under this provision may not also receive the \$100,000 death benefit otherwise paid to State employees. A death benefit under this provision must be in addition to any: (1) workers' compensation benefits; (2) proceeds of any form of life insurance; (3) benefit provided to a State employee covered by DPSCS; and (4) with a certain exception, benefits paid to a member of the Maryland National Guard, the member's estate, or the member's beneficiaries or survivors by the United States.

State Expenditures: DPSCS has the responsibility for payment of these death benefits payments (with CPI adjustments beginning in fiscal 1999). This bill requires an increase in death benefit payments to survivors for all deaths of individuals who were killed or died in the performance of duties on or after July 1, 1989. Under the bill, the increase would be from \$50,000 to \$100,000 – plus CPI adjustments for payments made from fiscal 1999 to present. This would mean that payments already made to survivors in the amount of \$50,000, or \$50,000 plus a CPI adjustment after fiscal 1998, would have to be augmented to come into compliance with the provisions of this bill. DPSCS estimates that \$5,174,857 would be needed to meet this death benefit obligation for beneficiaries back to fiscal 1990.

The fiscal 2007 budget allowance for these payments is \$385,000, which is based on an assumption of seven payments at \$55,000 each. However, an actual adjustment for CPI would make each payment closer to \$60,000 in fiscal 2007. Under this bill, the death benefit payment, including a CPI adjustment would be about \$120,000 for each payment. Assuming seven death benefit payments per year, the cost in death benefit payments by DPSCS would be about \$840,000 in fiscal 2007, a difference from the allowance of \$455,000.

Accordingly, this bill could result in additional death benefits costs in fiscal 2007 for DPSCS of \$5,629,857 (\$5,174,857 + \$455,000). Future year budgeting and actual payments would have to reflect the \$100,000 amount plus CPI adjustments to that date. Estimated costs for these years, assuming a growth rate in the CPI of about 3% per year, for seven deaths per year is: \$865,200 for fiscal 2008; \$891,156 for fiscal 2009; \$917,891 for fiscal 2010; and \$945,427 for fiscal 2011.

The bill's provisions do not affect additional death benefit payments made to State employees by DBM or any pension system death benefits.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Public Safety and Correctional Services,
Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2006
nas/jr

Analysis by: Guy G. Cherry

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