

# C94I00

## Subsequent Injury Fund

### Program Description

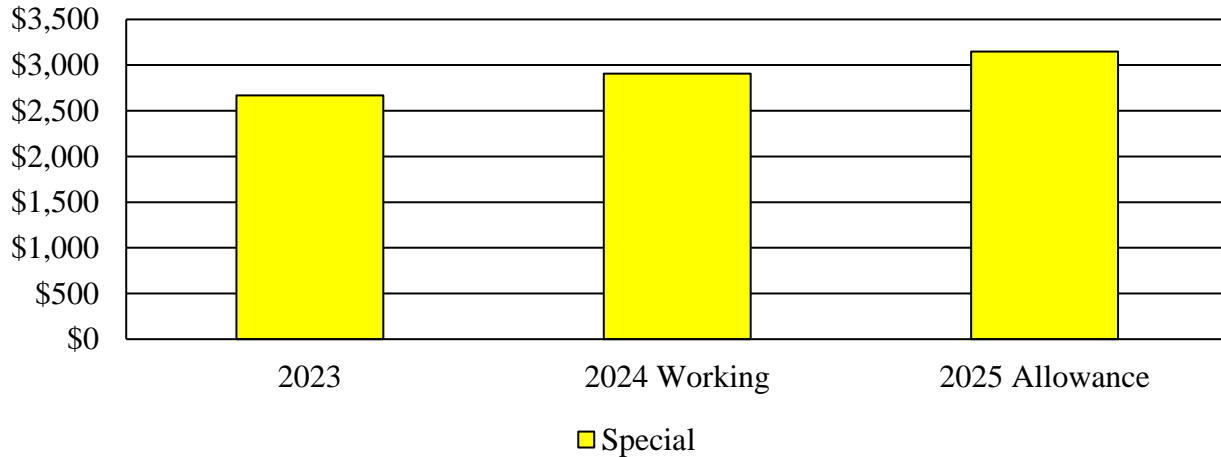
The Subsequent Injury Fund (SIF) compensates injured workers whose pre-existing injuries, diseases, or congenital conditions are substantially worsened by a current injury. SIF receives special funds from a 6.5% assessment on (1) awards against employers or insurers for permanent disability or death 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 should a subsequent occupational injury render 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. The SIF 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 2025 Budget Increases \$240,950, or 8.3%, to \$3.1 Million (\$ in Thousands)



Note: The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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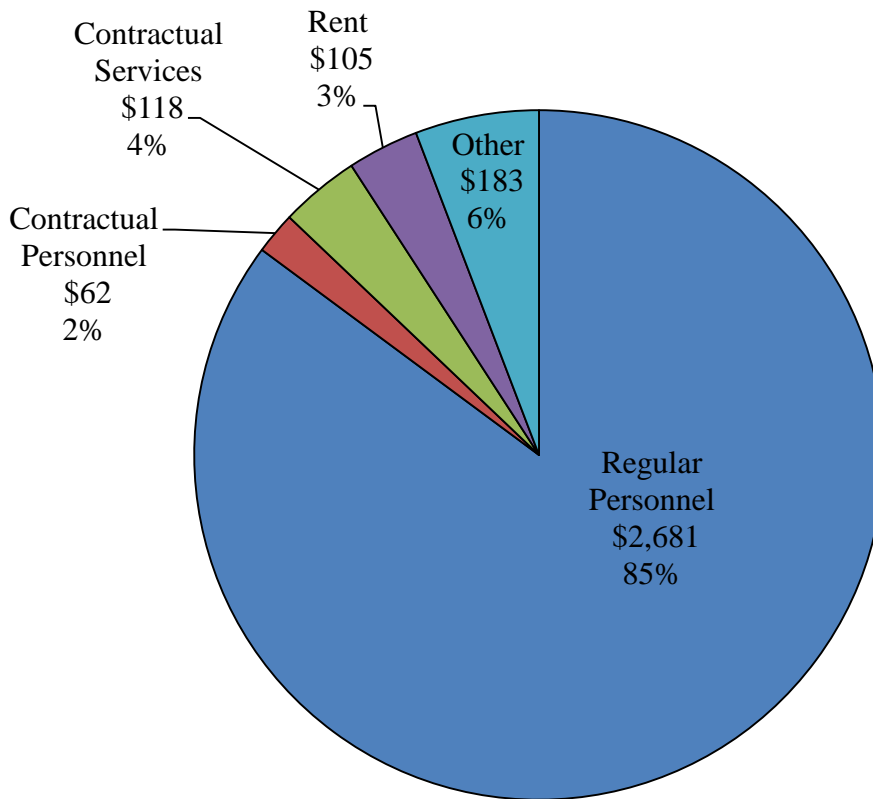
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## Fiscal 2025 Overview of Agency Spending

Most of SIF’s fiscal 2025 allowance goes toward personnel, as shown in **Exhibit 1**. Regular personnel costs make up 85%, or \$2.7 million, of the agency’s \$3.1 million allowance. Contractual services and personnel account for about 6% of the allowance, and rental costs for the agency’s offices account for 3%.

**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2025 Allowance**  
**(\$ in Thousands)**



Source: Governor’s Fiscal 2025 Budget Books

Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

## Proposed Budget Change

As shown in **Exhibit 2**, almost all of the budget change in fiscal 2025 is due to personnel costs, including cost-of-living adjustments and salary increments. Regular personnel costs increase by about \$231,000 in fiscal 2025.

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

<b>How Much It Grows:</b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Total</u></b>
Fiscal 2023 Actual	\$2,669	\$2,669
Fiscal 2024 Working Appropriation	2,907	2,907
Fiscal 2025 Allowance	<u>3,148</u>	<u>3,148</u>
Fiscal 2024-2025 Amount Change	\$241	\$241
Fiscal 2024-2025 Percent Change	8.3%	8.3%

<b>Where It Goes:</b>	<b><u>Change</u></b>
<b>Personnel Expenses</b>	
Salary increases and associated fringe benefits including fiscal 2024 cost-of-living adjustment and increments .....	\$228
Other fringe benefit adjustments .....	2
<b>Other Changes</b>	
Other changes .....	10
<b>Total</b>	<b>\$241</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

*C94100 – Subsequent Injury Fund*

***Personnel Data***

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	<b><u>FY 23 Actual</u></b>	<b><u>FY 24 Working</u></b>	<b><u>FY 25 Allowance</u></b>	<b><u>FY 24-25 Change</u></b>
Regular Positions	17.00	17.00	17.00	0.00
Contractual FTEs	<u>0.75</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>17.75</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 12/31/23	0.00	0.00%
Vacancies Above Turnover	0.00	

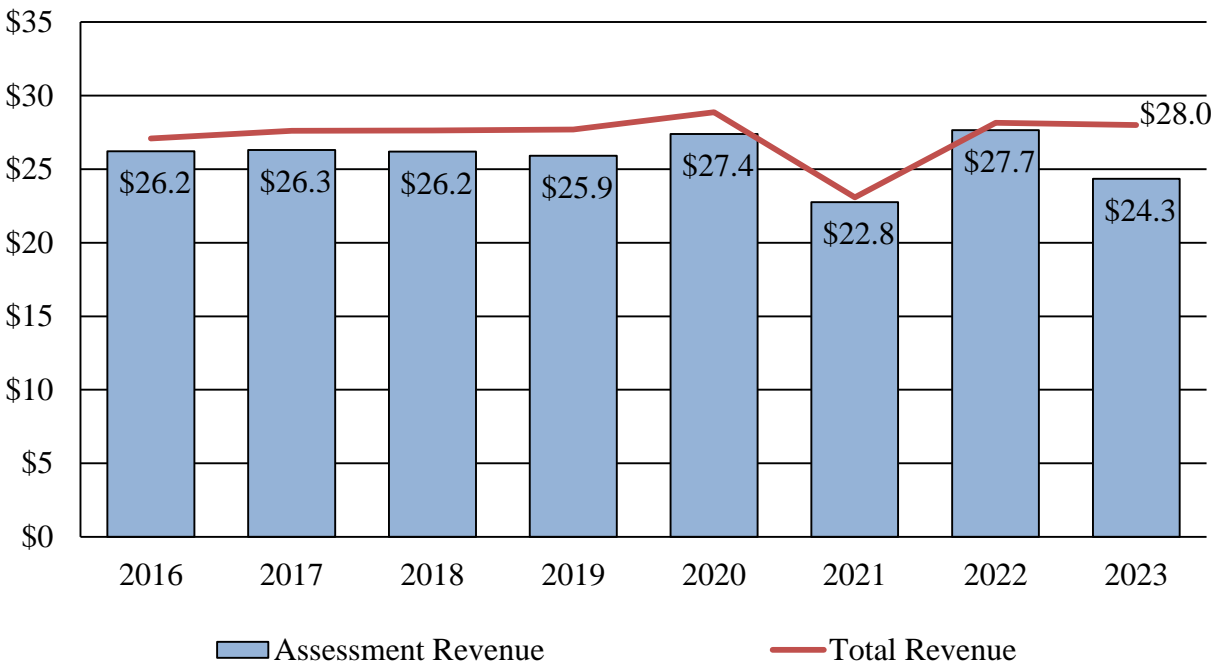
## Key Observations

### 1. Fund Balance Increases, Revenues Decrease Slightly

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. Chapter 495 of 2020 temporarily reduced the size of the assessment from 6.5% to 5.5% for fiscal 2021 only. The funds were diverted to assist the Uninsured Employers’ Fund with its low fund balance. SIF also earns interest on the fund balance.

**Exhibit 3** shows assessment revenues and total revenues (assessments plus interest earnings) for fiscal 2016 through 2023. In fiscal 2023, the dollar amount of assessments collected decreased slightly from the prior year, from \$27.7 million in fiscal 2022 to \$24.3 million in fiscal 2023. This decline was partially offset by an increase in interest earnings from \$0.5 million in fiscal 2022 to \$3.7 million in fiscal 2023.

**Exhibit 3**  
**Subsequent Injury Fund Revenues**  
**Fiscal 2016-2023**  
**(\$ in Millions)**



Source: Department of Budget and Management

*C94100 – Subsequent Injury Fund*

In addition to providing for the agency’s operating expenses, the assessment is designed to build reserves for the payment of benefits to qualified disabled workers injured on the job in accordance with awards approved by WCC. Fund growth results when revenue from assessments exceeds payments from the fund and agency expenses. The fund has grown at an average annual rate of 4.2% over the last decade. **Exhibit 4** shows the fund balance since fiscal 2011. In fiscal 2023, SIF’s fund balance increased 6.4%.

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**Exhibit 4**  
**Subsequent Injury Fund Balance**  
**Fiscal 2011-2024 Estimated**  
**(\$ in Thousands)**

<u>Fiscal Year</u>	<u>Balance</u>	<u>Percent Change</u>
2011	\$73,025	3.21%
2012	78,107	6.96%
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 Estimated	126,925	4.39%

Source: Subsequent Injury Fund

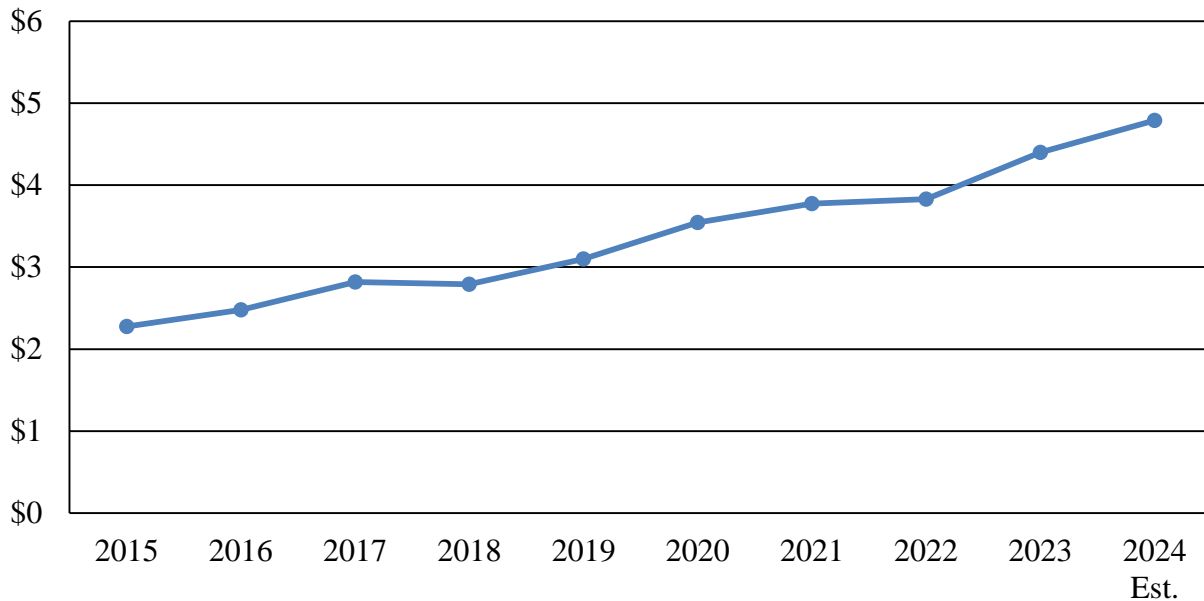
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SIF holdings are intended to provide the source of capital that offsets future liabilities whose value is calculated periodically by an actuarial study. The most recent study issued in January 2022 found that SIF had liabilities between \$314.8 million and \$548.2 million, depending on assumptions about the mortality of recipients and discount rate. The study noted that there is a risk of the need for an increase in the assessment rate in the next 10 years.

## 2. Cost Per Claim Continues to Rise

One gauge of administrative productivity is operating cost per claim. Different cases merit different costs in terms of medical exams, depositions, and other legal fees; **Exhibit 5** shows the average cost per claim. The average cost per claim has been on a steady upward trajectory. In fiscal 2023, the average cost per claim was \$4,397, up from \$3,828 the prior year. While caseloads have declined, payment rates have increased, which leads to higher SIF costs for negotiated settlement agreements. Despite the increasing cost per claim, the ratio of expenses to collections remains below one, meaning that the fund balance continues to grow.

**Exhibit 5**  
**Cost Per Resolved Claim**  
**Fiscal 2015-2024 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 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	17.00	17.00	17.00	0.00	0%
02 Contractual	0.75	1.00	1.00	0.00	0%
<b>Total Positions</b>	<b>17.75</b>	<b>18.00</b>	<b>18.00</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 2,301,555	\$ 2,449,988	\$ 2,680,515	\$ 230,527	9.4%
02 Technical and Special Fees	73,257	152,531	140,931	-11,600	-7.6%
03 Communication	13,489	18,300	16,800	-1,500	-8.2%
04 Travel	16,369	25,500	23,500	-2,000	-7.8%
08 Contractual Services	94,863	110,618	117,559	6,941	6.3%
09 Supplies and Materials	13,293	14,500	15,500	1,000	6.9%
10 Equipment – Replacement	20,931	0	0	0	0.0%
11 Equipment – Additional	1,517	0	15,000	15,000	N/A
12 Grants, Subsidies, and Contributions	12,000	12,000	12,000	0	0%
13 Fixed Charges	120,918	122,373	123,455	1,082	0.9%
14 Land and Structures	886	1,500	3,000	1,500	100.0%
<b>Total Objects</b>	<b>\$ 2,669,078</b>	<b>\$ 2,907,310</b>	<b>\$ 3,148,260</b>	<b>\$ 240,950</b>	<b>8.3%</b>
<b>Funds</b>					
03 Special Fund	\$ 2,669,078	\$ 2,907,310	\$ 3,148,260	\$ 240,950	8.3%
<b>Total Funds</b>	<b>\$ 2,669,078</b>	<b>\$ 2,907,310</b>	<b>\$ 3,148,260</b>	<b>\$ 240,950</b>	<b>8.3%</b>

Note: The fiscal 2025 allowance does not include cost-of-living adjustments.