Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 805 (Delegates Haddaway-Riccio and Eckardt)
Appropriations Finance

Talbot County - Child Support Enforcement - Transfer of Personnel

This bill transfers all of the employees who served as employees of the child support division of the Talbot County State's Attorney's Office as of September 30, 2013, to the State Department of Human Resources (DHR).

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Federal fund revenues decrease by a net $46,000 in FY 2015, reflecting the loss of $122,600 in federal pass-through funding to Talbot County and a $76,600 increase in federal revenue to DHR to provide child support enforcement services previously carried out by Talbot County. The net decrease in federal fund revenues is offset by a net decrease in federal fund expenditures, as the two DHR positions are funded at a lower level than the positions being transferred from Talbot County. General fund expenditures increase by $39,400 in FY 2015, reflecting the State's share of child support enforcement costs, but there are sufficient general funds in the FY 2015 budget, as enacted, to cover this cost. Out-year expenditures and revenues reflect inflation. Negligible increase in State pension and retiree health liabilities.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
FF Revenue	($46,000)	($47,300)	($49,400)	($51,500)	($53,800)
GF Expenditure	$39,400	$41,600	$43,400	$45,300	$47,300
FF Expenditure	($46,000)	($47,300)	($49,400)	($51,500)	($53,800)
Net Effect	($39,400)	($41,600)	($43,400)	($45,300)	($47,300)

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

Local Effect: The bill affects only Talbot County, whose expenditures decrease minimally because it will no longer pay the 34% local share of compensation costs for two employees who are providing child support enforcement services in the county. Negligible decrease in Talbot County pension liabilities and employer contributions.

Small Business Effect: None.

Analysis

Bill Summary: Each Talbot County employee transferred to CSEA under the bill must be given State service credit for years of county employment for the purposes of:

- seniority, including the determination of leave accumulation and of layoff rights;
- determining eligibility for participation as a retiree in the State Employee and Retiree Health and Welfare Benefits Program so that eligibility is based on the starting date of employment with Talbot County.

Transferred employees retain their annual and sick leave earned as an employee of Talbot County and their service credit earned in the Employees' Pension System (EPS). Talbot County must pay each employee any compensation due upon termination of county employment as of June 30, 2014, except for payment for accumulated leave that the employee transfers to the State.

Current Law/Background:

Child Support Enforcement

CSEA may enter into cooperative reimbursement agreements with local governments that wish to carry out child support enforcement within their jurisdiction. Under cooperative agreements, the local agency undertaking the child support function receives the 66% federal match for expenses it incurs for completing this function. The federal funds are budgeted within CSEA as the State child support agency.

A county or circuit court under a cooperative agreement may request that the responsibility for support enforcement be transferred to CSEA. Such requests must be made by September 1 of the year preceding the fiscal year for which responsibility will be transferred. Talbot County has requested that its enforcement function be transferred to CSEA.

Retiree Health Benefits

State employees hired before July 1, 2011, are eligible to retain the same health care coverage they had when they were active employees if they satisfy any of the following criteria:

- retire directly from State employment with a State retirement allowance and at least 5 years of creditable service;
- leave State employment with at least 16 years of creditable service;
- leave State employment with at least 10 years of creditable service and within 5 years of the age at which a vested retirement allowance would begin; or
- retire directly from State employment with a State disability retirement allowance.

The State subsidizes up to 80% of the health insurance premiums paid by retirees for themselves and their spouses (the maximum premium subsidy is 75% for prescription drug benefits). Retirees with at least 16 years of service qualify for the full subsidy; retirees with between 5 and 16 years earn a prorated subsidy. Retirees of the Optional Retirement Plan (primarily university and community college faculty) must have 25 years of service in order to earn a full subsidy for their spouses.

Eligibility criteria for retiree health benefits are more stringent for State employees hired on or after July 1, 2011. Key differences include needing to have at least 10 years of creditable service (instead of 5) if retiring directly from State service, and needing 25 years of service (instead of 16) to earn the full State premium subsidy.

State Fiscal Effect: CSEA advises that two Talbot County employees currently carrying out child support enforcement will be transferred into two vacant positions within CSEA; DHR further advises that these vacant positions are not in CSEA but will be transferred there. The positions are currently funded with a combination of general funds (69%) and federal funds (31%), but when they are transferred to CSEA, the funding split will reverse (66% federal/34% general). Thus, there are sufficient general funds in the fiscal 2015 budget to accommodate the State's share of the CSEA positions.

The fiscal 2015 budget, as enacted, includes a decrease of $122,550 in federal funds, which reflects the loss of the federal matching funds that would otherwise be passed through to Talbot County for its child support enforcement costs. However, the two new positions within CSEA (following the transfer) will draw the 66% federal share, estimated to be $76,573 in fiscal 2015. Therefore, there is a net reduction in federal fund revenues and expenditures of $45,977. Since the individuals being transferred are already employed by Talbot County, it is assumed that the transfer of positions occurs on the bill's July 1 effective date, so there is no start-up lag in the first year.

Talbot County is a participating governmental unit (PGU) within EPS; therefore, pension liabilities for the employees who transfer from the county to the State will also transfer from PGUs to the State. Given the small number of individuals involved (two), the net effect on State liabilities and pension contributions is negligible.

Assuming they began service with Talbot County before July 1, 2011, the former Talbot County employees will accrue retiree health benefits from the State under the pre-2011 rules instead of under the less generous terms for employees hired on or after July 1, 2011. Again, given the small number of individuals involved, this will slightly increase the State's accrued retiree health liabilities; as the State is not currently funding those accrued liabilities, there is no effect on current State payments.

Additional Information

Prior Introductions: None.

Cross File: SB 763 (Senator Colburn) - Finance.

Information Source(s): Department of Human Resources, Talbot County, Department of Legislative Services

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