

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 457
 Appropriations

(Charles County Delegation)

Finance

Charles County - State's Attorney's Office and Child Support Enforcement Administration - Transfer of Personnel

This emergency bill transfers all the functions, powers, and duties of the child support unit of the Charles County State’s Attorney’s Office to the Department of Human Resources (DHR) effective July 1, 2017. The transfer includes all employees of the unit on June 30, 2017, other than the assistant State’s Attorneys. If appointed by the Office of the Attorney General (OAG) to continue providing child support enforcement services, the assistant State’s Attorney positions also transfer.

Fiscal Summary

State Effect: No effect in FY 2017. General fund expenditures increase by \$277,800 in FY 2018, reflecting the State’s share of child support enforcement costs. Future year expenditures reflect elimination of one-time start-up costs. Negligible increase in State pension and retiree health liabilities. Federal fund expenditures are not impacted, as discussed below. No effect on revenues.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	277,800	267,200	279,000	291,500
Net Effect	\$0	(\$277,800)	(\$267,200)	(\$279,000)	(\$291,500)

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

Local Effect: Charles County expenditures decrease by approximately \$211,000 annually beginning in FY 2018, which reflects the local share of compensation costs for child support enforcement services in the county that it will no longer pay once responsibility transfers to the State, net of rent and indirect cost revenues that the county currently collects from the State’s Attorney’s Office. Charles County pension liabilities and employer

contributions decrease negligibly. In FY 2018 only, any expenditure decrease is partially offset by payments to any employees due to the termination of county employment.

Small Business Effect: None.

Analysis

Bill Summary: Each Charles County employee transferred to the Child Support Enforcement Administration (CSEA) under the bill must be given a position identification number that is commensurate with the employee's salary grade at the time of the transfer. Each transferred employee must also 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; and
- 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 Charles County.

Charles County must pay each employee any compensation due upon termination of county employment as of June 30, 2017. Transferred employees who are members of the Charles County Pension Plan and began employment with Charles County on or before June 30, 2011, are subject to the Alternate Contributory Pension Selection (ACPS) plan. Transferred employees who are members of the county plan and began employment with Charles County on or after July 1, 2011, are subject to the Reformed Contributory Pension Benefit (RCPB). Individuals who transfer service credits are not responsible for the difference between member contributions at the rate provided in the county plan and the rate provided in the State Plan. For purposes of determining employer contributions to be transferred to the Employees' Pension System (EPS), the amount must be determined by the actuary designated by the Board of Trustees.

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. Charles County has requested that its enforcement function be transferred to CSEA. DHR advises that the child support function in five other counties (Calvert, Frederick, Harford, St. Mary's, and Somerset) remains part of the local State's Attorney's Office.

State Employees' Pension System

In general, an individual who becomes a member of EPS on or after July 1, 2011, is subject to RCPB. EPS began as a noncontributory defined benefit pension system in 1980 (Chapters 23 and 24). In 1998, Chapter 530 made EPS a contributory system, and in 2006, Chapter 110 enhanced the contributory benefit. To distinguish it from the contributory benefit under the 1998 legislation, the enhanced benefit available under Chapter 110 was titled ACPS. State employees in EPS automatically qualified for the enhanced benefits under first the contributory benefit in 1998 and then again under ACPS in 2006.

Chapter 397 of 2011 added RCPB as a new benefit tier to the Teachers' Pension System/EPS for members hired after June 30, 2011; State employees who were members of EPS before July 1, 2011, and remained employed also remained in ACPS. **Exhibit 1** compares the benefit structures under ACPS and RCPB.

Exhibit 1
Comparison of ACPS and RCPB Benefits

	<u>ACPS</u>	<u>RCPB</u>
Vesting	5 years	10 years
Normal Retirement	30 years of service, or age 62	Age + service add to 90, or age 65
Benefit Multiplier	1.8%/year since 1998 1.2%/year before 1998	1.5%/year
Member Contribution	7.0% of pay	7.0% of pay

ACPS: Alternate Contributory Pension Selection
RCPB: Reformed Contributory Pension Benefit

Source: Department of Legislative Services

State/Local Fiscal Effect: DHR advises that 8 employees currently carrying out child support enforcement are transferred to CSEA under the bill. Although the bill is an emergency bill, the bill specifies that the employees transfer on July 1, 2017 (concurrent with the beginning of fiscal 2018). For purposes of this estimate, it is also assumed that OAG appoints the two assistant State's Attorneys who currently provide child support enforcement services in Charles County in order for operations to continue. Accordingly, general fund expenditures increase by \$277,845 in fiscal 2018, which reflects the costs associated with transferring 10 employees. Expenditures associated with these transferred positions total \$817,190 (34% general funds/66% federal funds). However, under the bill, DHR continues to receive matching federal funds for child support functions; rather than passing the funds through to Charles County to use for child support operations, it instead retains them once the duties of the office become a State function. The fiscal 2018 budget includes federal funding for child support services in Charles County of \$611,293. Accordingly, federal funds are not affected.

Absent the bill, any members transferring into EPS are subject to RCPB. Under the bill, however, employees of Charles County who were hired before July 1, 2011, are subject to ACPS. As ACPS provides more generous benefits than RCPB, the bill increases State pension liabilities. As the bill affects only a limited number of individuals, any such increase in State pension liabilities has no discernible effect on State pension contributions. Any minimal impact associated with not requiring transferred employees to deposit the difference in employee contributions likewise has no discernible effect.

Employees transferring from Charles County also receive credit for past employment with Charles County toward the provision of retiree health benefits from the State. This increases State retiree health liabilities by a negligible amount; as the State pays for retiree health benefits on a pay-as-you-go basis, it has no material effect on State expenditures for the period covered by this analysis since those benefits are not paid until the employees retire.

Charles County estimates that its expenditures decrease by approximately \$211,000 annually once it is relieved of the obligation to pay its share of child support operations, which reflects \$331,300 of cost savings from transferring the positions to DHR, offset by \$120,400 of revenue loss from no longer recouping indirect costs of the program and receiving rent from the program. Charles County pension liabilities and employer contributions decrease negligibly. In fiscal 2018 only, any expenditure decrease associated with no longer providing child support operations is offset by the amount of any compensation owed to employees due to the termination of county employment.

Additional Information

Prior Introductions: None.

Cross File: SB 347 (Charles County Senators) - Finance.

Information Source(s): Charles County; State's Attorneys' Association; Department of Budget and Management; Department of Human Resources; State Retirement Agency; Department of Legislative Services

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