

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 222 (Howard County Delegation)

Appropriations

**State Personnel - Child Support Enforcement Administration - Transfer of
Personnel
Ho. Co. 6-00**

This bill transfers the child support enforcement activities of the State's Attorney's Office for Howard County to the Child Support Enforcement Administration (CSEA) of the Department of Human Resources. The bill transfers all employees of the Paternity and Support Division of the Office of the State's Attorney for Howard County (except for the assistant State's Attorneys) to the CSEA.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: General fund expenditures for the CSEA increase by \$124,300 in FY 2001 for start-up costs and ongoing expenditures. Future year expenditures reflect ongoing expenditures and inflation.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	124,300	107,700	112,000	116,400	121,100
Net Effect	(\$124,300)	(\$107,700)	(\$112,000)	(\$116,400)	(\$121,100)

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

Local Effect: Total Howard County expenditures would decrease by \$466,300, of which 34%, or \$158,500 are local expenditures. (The remaining expenditures, and corresponding revenue, are federal matching funds at the rate of 66%.)

Small Business Effect: None.

Analysis

Current Law: A county or circuit court with a local support enforcement office may request that the responsibility for support enforcement be transferred to the CSEA. A request for transfer of responsibility under this section must be made to the Department of Human Resources by September 1 of the year preceding the fiscal year for which responsibility will be transferred.

The personnel of the local support enforcement office are transferred to the State Personnel Management System and placed in the closest comparable position. Accumulated leave is transferred and the employee's pension credit is transferred (see discussion below).

Bill Summary: In addition to the existing provisions governing the transfer of local support enforcement personnel, the bill provides that transferred Howard County employees will receive a salary classification commensurate with the employee's previous salary grade, and that the employees will be given credit for their Howard County employment for seniority purposes for leave determination and layoff rights.

Background: Under current law, State's Attorneys have the first option on whether to provide CSEA with legal representation in child support enforcement cases. Alternatively, local governments have the authority to request that their child support enforcement activities be transferred to CSEA. When the State's Attorneys provide legal representation, the costs are shared by the federal and local governments.

Currently, 12 counties and Baltimore City have transferred the legal responsibilities of support enforcement from their local State's Attorney offices to CSEA. Baltimore County transferred its legal enforcement employees to the State last year without legislation.

State Expenditures: Expenditures by the CSEA could increase by an estimated \$365,600 in fiscal 2001, which assumes a full year of expenses, given the July 1 effective date and that the positions are already filled. This estimate reflects the cost of transferring five employees currently employed by the Howard County State's Attorney's Office with salaries equal to their current salaries, as required by the bill. It includes salaries, fringe benefits, one-time start-up costs such as equipment purchases and moving expenses, and ongoing operating expenses.

Salaries and Fringe Benefits

\$234,000

Moving expenses	34,600
Equipment purchases	27,400
Other Operating Expenses	<u>69,500</u>
Total FY 2001 State Expenditures	\$365,600

Numbers may not total due to rounding.

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Child support enforcement activities are eligible for a two-for-one federal match. Thus, the total expenditures for the CSEA's activities will be paid 34%, or \$124,300 in fiscal 2001, from State general fund revenues and 66%, or \$241,300, from federal matching funds. The State currently receives federal matching funds for Howard County's operations; however, these funds are passed directly through to the county.

Local Expenditures: Total Howard County expenditures would decrease by approximately \$466,300, the amount of the State's Attorney fiscal 2000 budget allocated to support enforcement activities. Of this amount, 34%, or \$158,500, are local expenditures. The remaining expenditures of \$307,800, and corresponding revenue, are federal matching funds at the rate of 66%. This expenditure reduction includes the five transferred employees and associated expenses, as discussed above. The expenditure reduction also reflects the State's Attorney's Office intent to eliminate three positions that currently perform support enforcement activities but who will not be transferred to the State.

Additional Comments: Transfer of the employees to the State requires transition of pension credits, as discussed below. The impact on the State Retirement and Pension System (SRPS) will be minimal. There will be an impact on the transferred members, however.

The transferred employees will be transferred from the Howard County pension system to the State's Employees' Pension System (EPS). Under the Howard County system, members receive 1.55% of average final compensation for each year of service. Since July 1, 1995, members have been required to contribute 2% of earnable compensation.

Title 37 of the State Personnel and Pensions Article allows members to transfer among public pension plans and receive pension credit in their new system for their service in their old system. Section 37-203(a)(2) of that title, however, requires an individual from one contributory pension system (i.e., a system that requires a member contribution in addition to an employer contribution) to another contributory pension system to transfer **all** the

member's contributions to the new system. The State's EPS became a contributory system as a result of the 1998 pension enhancement (Chapter 530 of 1998). The enhancement legislation increased the pension formula to 1.4% of average final compensation for each year of service (1.2% for service before July 1, 1998) and required a 2% contribution as of July 1, 1998.

When the Baltimore County support enforcement workers transferred to the State Department of Human Resources, it was not clear whether they were required to transfer **all** member contributions (treating the EPS as a contributory system, even though from 1980 until 1998 it was a noncontributory system) or only contributions since July 1, 1998, when the EPS became a contributory system.

The State Retirement Agency initially took the position that because the EPS is now a contributory system, the transferring members must transfer **all** member contributions. The Baltimore County employees successfully appealed this determination, arguing that they were advised that their transfer from the Baltimore County System to the EPS would require payment of employee contributions only since July 1, 1998, the date employee contributions began for EPS members. The board of trustees of the SRPS is now requiring only that the Baltimore County transferees contribute 2% of earnable compensation since July 1, 1998. All other prior member contributions will be refunded.

The board advises, however, that all other transferees, including the Howard County transferees subject to this legislation, will be required to transfer all employee contributions. Under current law, the transferees will be required to transfer all their contributions, including contributions made prior to July 1, 1998, when State employees made no contributions. The transferees will receive the State EPS benefit formula.

To correct the board's interpretation of Title 37, the Joint Committee on Pensions will introduce legislation that would require all transferees to the EPS, including those subject to this legislation, to contribute only 2% of earnable compensation since July 1, 1998. All other prior member contributions will be refunded.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 3, 2000
mld/jr

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