

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 525 (Delegate A. Jones. *et al.*)

Appropriations

State Personnel - Employees Transferred to the Child Support Enforcement Administration of the Department of Human Resources

This bill provides that employees of a local support enforcement office who are transferred to the Child Support Enforcement Administration (CSEA) of the Department of Human Resources must be credited with the years of service with the local jurisdiction for purposes of seniority, including the determination of layoff rights under State rules. The bill requires that the salary grade of the transferred employees must be determined using a salary based on the same hourly rate of salary of the employee at the time of transfer.

The bill takes effect July 1, 2000, and applies retroactively to any employee transferred to the CSEA on or after June 30, 1999.

Fiscal Summary

State Effect: Increase in personnel expenditures of \$312,200 in FY 2001 (of which two-thirds is paid by federal funds and the remainder is general funds) for salary adjustments to reflect additional workhours of employees transferred from Baltimore County to the State. Future years reflect salary increases and turnover.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	103,000	107,700	112,500	117,600	122,900
FF Expenditures	209,200	218,600	228,400	238,700	249,400
Net Effect	(\$312,200)	(\$326,200)	(\$340,900)	(\$356,300)	(\$372,300)

*Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect
 Numbers may not total due to rounding.*

Local Effect: None. Any impact on the transferred employees would be absorbed by the State.

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. The employees are credited with the years of service with the local jurisdiction for the purpose of determining leave accumulation. The employees may receive no diminution in compensation or accumulated leave solely as a result of the transfer. Annual leave in excess of that which may be retained annually under State rules may be retained at the time of transfer if that accumulation was permitted by the former employer. The employee's pension credit is transferred (see discussion below).

Background: Under current law, local jurisdictions have the first option 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 a State's Attorney or circuit court provides 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 to CSEA. Baltimore County transferred its legal enforcement employees to the State last year without legislation. A bill has been introduced this year (HB 222) to transfer the support enforcement employees of the Howard County State's Attorneys' office.

State Expenditures: The rules governing the transfer of support enforcement change in two ways under the bill: seniority rights in the case of layoffs, and salary comparability based on hourly wage. The former has minimal fiscal impact; the latter will have an impact.

Approximately 60 employees of the Baltimore County Circuit Court Division of Child Support were transferred to the State on July 1, 1999. The payroll for these employees was \$2.2 million as of that time. Assuming a \$1,275 per person cost-of-living adjustment, that

payroll would be \$2.3 million as of July 1, 2000.

The Baltimore County Circuit Court, however, paid these employees for a 35-hour week; the State requires a 40-hour week for the same annual salaries. Adjusting the payroll to account for the same hourly rate would require a 14.3% increase in the annual salaries for an increased cost of \$321,849 in fiscal 2001. Adjusting for 3% turnover results in a fiscal 2001 impact of \$312,194. The federal government provides 67% of the costs associated with child support enforcement; the remainder is paid by State general funds. The fiscal 2001 allocation would therefore be \$209,170 federal funds and \$103,024 general funds. Future year expenditures reflect full salaries with 4.5% annual increases and 3% employee turnover.

Howard County advises that its employees currently work a 40-hour week. Hence, the bill would have no impact on the transfer of the Howard County employees. If other local employees are transferred who work less than a 40-hour week, there would be a fiscal impact to the State; the amount of such impact cannot be reliably estimated at this time.

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.

In the case of Howard County transferees, 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 to 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 future transferees, including the Howard County transferees, 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 has introduced HB 348, which 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.

Baltimore County did not respond to Legislative Services' request for information regarding this bill.

Additional Information

Prior Introductions: None.

Cross File: SB 463 (Senator Stone) - Finance.

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

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