

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1448

(Chair, Judiciary Committee)(By Request - Departmental
- Human Resources)

Appropriations

Finance

**Family Law - Child Support Enforcement Privatization Program and
Performance Incentive Model Office**

This departmental bill authorizes the Secretary of Human Resources to enter into contracts with private companies to privatize child support enforcement services in Baltimore City. The bill also requires the establishment of Performance Incentive Model Offices in those jurisdictions that are not privatized.

Fiscal Summary

State Effect: Minimal increase in special fund revenues to the extent that child support collections increase. The continuation of the privatization of child support enforcement services in Baltimore City, the conversion of demonstration sites to Performance Incentive Model Offices, the transition of the child support enforcement services in Queen Anne's County from privatization to Performance Incentive Model, and any reporting requirements can be handled with existing resources.

Local Effect: None.

Small Business Effect: The Department of Human Resources (DHR) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill authorizes the Secretary of Human Resources to enter into contracts with private companies to privatize all aspects of child support enforcement services in Baltimore City, including absent parent location, paternity establishment, support order establishment, collection and disbursement of support payments, review and modification of child support orders, and child support order enforcement (excluding legal representation).

The Secretary may:

- enter into contracts to transfer child support enforcement services in Baltimore City to one or more private contractors;
- provide for the reimbursement of any private contractor; and
- establish procedures for the orderly transition to any future private contractor.

The Secretary may also require any private contractor to offer fair and equitable employment to any existing State employees working for an existing contractor and affected by the transfer of child support enforcement responsibilities and to retain any employees who accept the offer: (1) for the duration of the program unless there is cause for dismissal and (2) at a comparable salary and benefit level.

The Secretary may require any private contractor to make a grievance procedure available for former State employees and prohibit the reimbursement of any private contractor from child support collections. The Secretary may assist a former State employee who declines an offer of employment with a private contractor by identifying a comparable position in the State system.

A request for proposal to transfer child support collection activities must comply with State procurement provisions, set the goals of privatization, and specify incentives for the contractor.

A privatization program may conduct a conciliation conference, which is defined as a conference conducted at a site designated by the privatization program to provide an opportunity for the parties to resolve issues associated with an action to modify or enforce a duty of support prior to going to a court proceeding. If a complaint is filed to modify or enforce a duty of support in the circuit court of a jurisdiction in which the program is located, the court may issue a writ of summons to order the parties to appear and to produce documents at a conciliation conference. If a party fails to appear or produce the documents, a representative of the program may apply, on affidavit, to the

court for a body attachment. A court may issue a body attachment or compel compliance in any manner available to the court to enforce its order.

The Secretary may adopt any other regulations necessary to carry out the bill's provisions.

Performance Incentive Model Offices

The bill requires the Secretary of Human Resources to establish child support performance incentive model offices in all jurisdictions that are not privatized jurisdictions.

The Secretary has sole authority over child support enforcement functions in a performance incentive model, including, but not limited to: (1) parent location; (2) paternity establishment; (3) child support order establishment; (4) collection and disbursement of support payments; (5) review and modification of child support orders; (6) enforcement of support obligations; (7) provision of legal representation as established by statute; and (8) establishment of contractual agreements with private or public entities to provide child support services.

The Secretary is required to establish pay incentives for performance incentive model office employees. A performance incentive model office may conduct a conciliation conference. If a complaint is filed to modify or enforce a duty of support in the circuit court of a jurisdiction in which a performance incentive program is located, the court may issue a writ of summons to order the parties to appear and to produce documents at a conciliation conference. If a party fails to appear or produce the documents, a representative of the performance incentive model office may apply, on affidavit, to the court for a body attachment. A court may issue a body attachment or compel compliance in any manner available to the court to enforce its order.

The powers of the Secretary to carry out the performance incentive model office provisions are to be construed liberally.

The Secretary of Human Resources must evaluate the Child Support Enforcement Privatization Program in Baltimore City and the Performance Incentive Model Offices in all other jurisdictions, and report on the evaluation to the Senate Finance Committee and the House Appropriations Committee by December 31, 2010 and December 21, 2011.

Current Law: The Child Support Enforcement Privatization Pilot Project within DHR began as a result of Chapter 491 of 1995. The privatized sites were Baltimore City and Queen Anne's County. This legislation also created the first demonstration site in Washington County. The demonstration site was to compete against the two privatized

sites. As a demonstration site, a jurisdiction is provided management flexibility, such as special appointment status for employees and the potential for employee bonuses for performance in several areas.

The privatization pilot project was reauthorized several times through legislation (Chapter 486 of 1999, Chapter 439 of 2002, and Chapters 312 and 392 of 2003). That same legislation also required all jurisdictions that are not privatized to become demonstration sites by July 1, 2008, on a phased-in schedule.

The privatization pilot ends September 30, 2009.

Background: DHR advises that continuing to allow the Secretary the discretion to privatize services in Baltimore City will enable DHR to make the decision based on potentially changing conditions with regard to the performance and organizational factors in Baltimore City. By establishing the Performance Incentive Model Offices, child support enforcement will continue the demonstration site concepts of pay for performance and flexibility/expedited hiring practices.

State Revenues: Child support collections may increase to the extent that the continued privatization of Baltimore City and continuation of demonstration sites as performance incentive model offices facilitates child support enforcement efforts. Any such increase cannot be quantified at this time due to unavailability of data. Temporary Cash Assistance (TCA) recipients must assign their support rights to the State and federal government as partial reimbursement for TCA payments made on behalf of the children of the obligor; as a result, TCA child support collections are distributed 50% to the State and 50% to the federal government.

State Expenditures: It is anticipated that continuation of the Baltimore City child support enforcement office as a privatized office can take place with existing resources. The existing contract had two one-year renewal options, the first of which was exercised in March 2008. DHR was given approval of the second one-year option from the Board of Public Works in March 2009, therefore, the privatization contract for Baltimore City and Queen Anne's County continues until March 31, 2010.

It is anticipated that any changes required for the transition of the Queen Anne's County child support enforcement office from a privatized office to a Performance Incentive Model Office or to a traditional State-run office can take place with existing resources. Under current law, both the Baltimore City and the Queen Anne's County child support offices are managed by private contractors. Because the option to continue the existing contract was exercised, the privatization of these offices continues until March 31, 2010. The bill's provisions continue the privatization of the Baltimore City child support enforcement office but DHR has announced that Queen Anne's County will not be

included in the request for proposal for privatization services beyond March 31, 2010. In the analysis of the fiscal 2010 budget allowance for the Child Support Enforcement Administration, the Department of Legislative Services (DLS) advises that the allowance does not reflect the changes necessary for a transition of child support enforcement services in Queen Anne's County from privatization to the performance incentive model or a traditional State-run office. DHR advises that the appropriation must be transferred by budget amendment and five State regular positions will be needed after the transition. DHR intends to use vacant positions from elsewhere to re-establish the office.

Except for Baltimore City and Queen Anne's County, all other child support enforcement offices converted to demonstration sites between July 1, 2003 and July 1, 2008. The last site to convert to a demonstration site was St. Mary's County on July 1, 2008. DLS advises that these demonstration sites will convert to Performance Incentive Model Offices with existing resources. DHR can also handle the bill's reporting requirements using existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Department of Budget and Management, Department of Human Resources, Judiciary (Administrative Office of the Courts), Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2009
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Family Law – Child Support Enforcement Privatization Program and Performance Incentive Model Office

BILL NUMBER: HB 1448

PREPARED BY: Department of Human Resources

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

☒ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

☐ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.