HB 386

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

House Bill 386 (Delegates Rosenberg and Haynes)
Appropriations

Family Law - Child Support Enforcement - Performance Incentive Model Office

This bill requires the Secretary of Human Resources (DHR) to establish child support performance incentive model offices in all jurisdictions and to establish a program to provide monetary incentives to employees in these offices.

Fiscal Summary

State Effect: Special fund expenditures increase by $1.1 million in FY 2011 to reflect incentive payments. Special fund revenues increase minimally each year to reflect additional child support collections. Out-years reflect annualization.

($ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	-	-	-	-	-
SF Expenditure	$1.1	$1.4	$1.5	$1.6	$1.6
Net Effect	($1.1)	($1.4)	($1.5)	($1.6)	($1.6)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Secretary of Human Resources has sole authority over child support enforcement services in a performance incentive model office, including: (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.

A performance incentive model office may conduct a conciliation conference, which is defined as a conference conducted at a performance incentive model office site to provide an opportunity for the parties to resolve issues associated with an action to modify or enforce a duty of child support prior to going to a court proceeding. If a complaint is filed to modify or enforce a duty of child 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 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 performance incentive model offices in all jurisdictions and report on the evaluation to the Senate Finance Committee and the House Appropriations Committee by December 31, 2011 and December 21, 2012.

Current Law/Background: Chapter 491 of 1995 established the Child Support Enforcement Privatization Pilot Project and a demonstration site program in the Child Support Enforcement Administration (CSEA) within DHR. Child support services were privatized in Queen Anne's County and Baltimore City; the first demonstration site was Washington County. The privatization pilot project and demonstration site programs were reauthorized several times through legislation (Chapter 486 of 1999, Chapter 439 of 2002, and Chapters 312 and 392 of 2003). That most recent authorization required all jurisdictions that were not privatized to become demonstration sites by July 1, 2008, on a phased-in schedule.

As a demonstration site, jurisdictions were provided management flexibility, such as special appointment status for employees, and the potential for employee bonuses for performance in several areas. Employee bonuses become available to demonstration sites based on the collective performance of the jurisdiction compared to the quarterly goal in each performance area (cases with paternity established, cases with a support order, collections of current support, and cases with arrearages paying on arrears). The goals were set at the beginning of each federal fiscal year and varied based on the performance measure and the jurisdiction's previous performance. The maximum amount a jurisdiction could receive in bonuses each quarter was 5% of its quarterly salary base, although this was subject to funding availability. Under the demonstration site bonus program, employees of the demonstration site jurisdictions received approximately $2.5 million in bonuses from fiscal 2004 through 2009.

The authorization for demonstration sites and the bonus program expired on September 30, 2009. However, CSEA is still authorized under current law to establish a performance incentive program to provide incentives for employees. Although the authorization for privatization also expired on September 30, 2009, DHR's contract for privatization in Baltimore City and Queen Anne's County has been extended by action of the Board of Public Works (BPW) until March 10, 2010. DHR has requested that BPW authorize an extension of the current privatization contracts for Baltimore City and Queen Anne's County until September 30, 2010. DHR has submitted plans to the budget committees to return the Queen Anne's County office into a State-operated office by October 1, 2010, and to continue privatization in Baltimore City.

State Revenues: Child support collections increase to the extent that the performance incentive model offices facilitate child support enforcement efforts. Any such increase cannot be quantified at this time. 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: Special fund expenditures increase by a maximum of $1.1 million in fiscal 2011, which accounts for the bill's October 1, 2010 effective date. This estimate reflects the cost of establishing performance incentive programs in all jurisdictions and providing monetary incentives to employees. The information and assumptions used in calculating the estimate are stated below:

- incentive payments will be made as a percentage of employees' salaries when a set goal has been met;
- four goals will be set, with each goal met being worth 1.25% of the regular salary;
- if a jurisdiction meets all of its goals, the child support enforcement staff will receive 5% of their salary as a bonus;
- each jurisdiction will meet all of the four goals; and
- the fiscal 2011 allowance for the regular salaries of 631.5 Child Support Enforcement staff is $28.2 million.

The Department of Legislative Services (DLS) notes that Section 31 of HB 151/SB 141 of 2010 (Budget Reconciliation and Financing Act of 2010) prohibits any bonuses for State employees. If this provision goes into effect, any impact relating to the payment of incentives will be delayed until at least fiscal 2012. Although for purposes of the analysis the maximum expenditures associated with the performance incentive program are shown, DLS notes that the actual expenditures could vary greatly depending on the performance of the employees and whether or not the maximum amount of the bonuses is actually awarded.

Discontinuing Privatization of Baltimore City: Because "performance incentive model office" is broadly defined in the bill as "an office described under this section that provides child support services," for purposes of this analysis, this analysis assumes that although DHR may receive authorization to continue privatization in Baltimore City, the Secretary can meet the bill's requirements to establish a "performance incentive model office" in all jurisdictions, including Baltimore City, by extending to the 32 State employees who currently work in the Baltimore City Office, the terms of a performance incentive program.

However, if the privatized office in Baltimore City will need to be fully converted into a performance incentive model office, there will be additional expenditures associated with discontinuing privatization. In the 2009 *Joint Chairmen's Report*, the budget committees requested that CSEA evaluate the projected costs of continuing Baltimore City as a privatized versus a State-operated office. Although the projected costs for continuing privatization in Baltimore City were higher in the first two years, privatization was projected to be less costly overall beginning in fiscal 2013, as shown in **Exhibit 1.**

Exhibit 1
Projected Costs of Privatization vs. State-operation in Baltimore City

Fiscal Year	State-operated	Privatized	Difference
2011	$12,006,654	$14,144,675	$ (2,138,021)
2012	12,541,384	12,977,326	(435,942)
2013	13,103,857	12,213,902	889,955
2014	14,074,363	11,850,771	2,223,592
2015	14,318,326	11,583,273	2,735,053

Source: Child Support Enforcement Administration

The estimate assumed higher costs in the early years to reflect that there is no guarantee that the current provider will be awarded the contract to continue privatization in Baltimore City, therefore there will be associated start-up costs if a different provider is awarded the privatization contract. Also reflected in the above estimate is that if operations are returned to the State, new State employees will be needed. In addition to the direct associated costs of discontinuing privatization as shown in **Exhibit 1**, these new State employees would also be eligible for the incentive payments that this bill establishes for performance incentive model offices. It is estimated that if Baltimore City returns to a State-operated facility, an additional 157 new positions will be needed at a total salary cost of $5.1 million in fiscal 2011. Based on the same assumptions as above, special fund expenditures would increase by an additional $191,245 in fiscal 2011, representing the additional costs of paying a 5% bonus to the new employees and accounting for the bill's October 1, 2010 effective date. Out-year expenditures reflect annualization.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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