

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 407
 Appropriations

(Harford County Delegation)

Finance

**Harford County - State's Attorney's Office and Child Support Administration -
 Transfer of Personnel**

This bill transfers all the functions, powers, and duties of the child support unit of the Harford County State’s Attorney’s Office to the Child Support Administration (CSA) of the Department of Human Services (DHS). The transfer includes all employees of the unit on June 30, 2020, other than the assistant State’s Attorneys. These employees must remain members of the Employees’ Pension System (EPS). 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. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund revenues for DHS decrease by \$47,300 annually beginning in FY 2021 from no longer receiving an administrative fee from Harford County. General fund expenditures for DHS increase by \$355,500 in FY 2021, reflecting the State’s share of child support enforcement costs. The Governor’s proposed FY 2021 budget includes sufficient funds for the transfer in FY 2021. Future year expenditures reflect elimination of one-time start-up costs. Federal fund expenditures are not affected, as discussed below. Pension fund transfers are not reflected, as discussed below.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	(\$47,300)	(\$47,300)	(\$47,300)	(\$47,300)	(\$47,300)
GF Expenditure	\$355,500	\$323,800	\$331,200	\$342,300	\$353,800
Net Effect	(\$402,800)	(\$371,100)	(\$378,500)	(\$389,600)	(\$401,100)

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

Local Effect: Harford County expenditures decrease by at least \$516,200 annually beginning in FY 2021. Any expenditure decrease is partially offset by payments (1) to any employees due to the termination of county employment and (2) for the transfer of local pension liabilities to the State.

Small Business Effect: None.

Analysis

Bill Summary: Each Harford County employee transferred to CSA on July 1, 2020, must be given a position 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 as well as layoff rights. Harford County must pay each employee any compensation due upon termination of county employment as of June 30, 2020.

All employer contributions and interest made by Harford County on behalf of employees transferred under the bill must be transferred within the accumulation fund for EPS from the municipal pool to the State pool. An actuarial valuation must be performed by the actuary designated by the Board of Trustees for the State Retirement and Pension System (SRPS).

Current Law/Background: CSA 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 CSA 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 CSA. Such a request must be made by September 1 of the year preceding the fiscal year for which responsibility will be transferred. Harford County has requested that its enforcement function be transferred to CSA. DHS advises that the child support function in four other counties (Calvert, Frederick, St. Mary's, and Somerset) remains part of the local State's Attorney's Office.

Pension Transfers

If a member of a State or local retirement or pension system transfers to another State or local retirement or pension system because of an involuntary transfer of the member's unit to another employer, all the employer contributions on behalf of the member and interest on those contributions must be transferred to the new system. The amount to be transferred must be determined by an actuarial valuation.

State Revenues: Harford County currently pays DHS an annual administrative fee of approximately \$47,295 for child support functions in the State's Attorney's Office. By transferring the functions of child support enforcement to CSA, Harford County no longer

pays the fee, so general fund revenues decrease by approximately \$47,295 annually beginning in fiscal 2021.

State Expenditures: This estimate assumes OAG appoints the three assistant State's Attorneys who currently provide child support services in Harford County in order for operations to continue. Additionally, DHS advises that nine other employees currently carrying out child support enforcement are transferred to CSA under the bill. Accordingly, general fund expenditures increase by \$355,469 in fiscal 2021, which reflects the general fund share of the costs associated with transferring 12 employees. The Governor's proposed 2021 budget contains funding for these 12 positions. Expenditures associated with these transferred positions total \$1.0 million (34% general funds/66% federal funds). However, under the bill, DHS continues to receive matching federal funds for child support functions. Rather than passing the funds through to Harford County to use for child support operations, it instead retains them once the duties of the office become a State function. The fiscal 2021 budget includes federal funding for child support services in Harford County of approximately \$690,000. Accordingly, federal funds are not affected.

Harford County is a participating governmental unit (PGU) in SRPS, so all current Harford County employees of the State's Attorney's Office who become DHS employees should already be members of either the Alternate Contributory Pension Selection Plan or the Reformed Contributory Pension Benefit within EPS. Thus, the bill should not affect the State Retirement Agency. Pension liabilities associated with the transferred personnel shift from being local to State liabilities, but under provisions of State pension law that apply under the bill, transfers between State and local pension systems are generally considered to have no net effect on State or local liabilities. The State Retirement Agency can perform the actuarial valuation with existing resources.

Local Expenditures: Harford County estimates that its expenditures decrease by at least \$516,183 annually beginning in fiscal 2021 once it is relieved of the obligation to pay its share of child support operations. This estimate reflects \$414,773 of personnel savings from transferring the positions to DHS, along with other operating expenses of \$101,410, which includes office space funded completely by the county and the administrative fee paid to DHS. In fiscal 2021 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.

Harford County is a PGU in SRPS, so all current Harford County employees of the State's Attorney's Office who become DHS employees should already be members of either the Alternate Contributory Pension Selection Plan or the Reformed Contributory Pension Benefit within EPS. However, a transfer from a PGU to the State plan is considered a transfer under current law even though both plans are part of SRPS. Thus, because the transfer is an involuntary transfer resulting from the transfer of the unit, employer

contributions made on behalf of the employees by Harford County must transfer to the State EPS plan. An actuarial valuation is necessary to determine the amount of the transfer; as the employer contribution for PGU employers is substantially lower than for the State EPS plan (the fiscal 2021 EPS employer contribution rates are 6.71% for PGUs and 20.71% for the State), it is likely that Harford County's employer contribution will increase to cover the additional pension liability for affected employees.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 137 (Senator Cassilly, *et al.*) - Finance.

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

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Analysis by: Heather N. MacDonagh

Direct Inquiries to:
(410) 946-5510
(301) 970-5510