HB 526

Department of Legislative Services

Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 526 (St. Mary's County Delegation)
Judiciary Judicial Proceedings

St. Mary's County - Transfer of Child Support Unit and Personnel to the Child Support Administration

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This bill transfers the functions, powers, duties, and staff of the Child Support Unit of the Office of the State's Attorney for St. Mary's County to the Child Support Administration (CSA) of the Department of Human Services (DHS) on October 1, 2023. The bill includes specifications for (1) the creation of position identification numbers (PINs) within DHS for the transferred employees; (2) the salary, seniority, pension, and leave accumulation for transferred employees; and (3) St. Mary's County to pay each employee transferred any salary compensation due to the employee on termination of county employment as of September 30, 2023.

Fiscal Summary

State Effect: General fund revenues for DHS decrease by $24,200 in FY 2024 and by $32,300 annually thereafter from no longer receiving an administrative fee from St. Mary's County. Federal fund revenues and expenditures also increase by $38,400 in FY 2024 primarily due to the inclusion of one additional position, as discussed below. General fund expenditures for DHS increase by $236,300 in FY 2024, reflecting the State's share of child support enforcement costs, included in the FY 2024 budget as passed by the General Assembly. Future year federal fund revenues and general/federal fund expenditures reflect annualization, inflation, and elimination of one-time costs. Pension fund transfers are not reflected, as discussed below.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	($24,200)	($32,300)	($32,300)	($32,300)	($32,300)
FF Revenue	$38,400	$44,600	$46,600	$48,700	$51,300
GF Expenditure	$236,300	$251,900	$263,100	$274,800	$289,300
FF Expenditure	$38,400	$44,600	$46,600	$48,700	$51,300
Net Effect	($260,500)	($284,200)	($295,400)	($307,000)	($321,600)

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

Local Effect: St. Mary's County expenditures decrease by an estimated $249,200 in FY 2024 and at least $332,300 annually thereafter. Any expenditure decrease in FY 2024 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. Federal revenues passed through to the county are retained at the State level.

Small Business Effect: None.

Analysis

Bill Summary: Any personnel of the local enforcement office involved in the transfer must be in the State Personnel Management System and must be placed in the position that is comparable to or most closely compares to their former position without further examination or qualification. 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. The salary grade of the employees must be determined using a salary based on the same hourly rate of salary of the employee at the time of transfer. Transferred employees retain any accumulated annual leave, as specified.

The Department of Budget and Management (DBM) must establish PINs for each transferred employee, to be allocated to DHS and assigned to the St. Mary's County Department of Social Services. DBM must create additional PINs for any assistant State's Attorneys appointed by the Office of the Attorney General (OAG) to continue to provide child support services for St. Mary's County after September 30, 2023.

All employer contributions and interest on those contributions made by St. Mary's County on behalf of employees transferred by the bill must be transferred within the accumulation fund for the State Employees' Pension System from the municipal pool to the State pool. The actuarial valuation required under current law must be performed by the actuary designated by the Board of Trustees for the State Retirement and Pension System.

Current Law: 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 with a local child support enforcement office is authorized by State law to request that the responsibility for support enforcement be transferred to CSA within DHS. Any such request for transfer of responsibility must be made to DHS by

September 1 of the year preceding the fiscal year for which responsibility will be transferred. State law generally requires similar positions, salaries, and seniority levels, for the transferred employees and allows the transfer of accumulated leave.

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.

If a member of a State or local retirement or pension system transfers to another State or local retirement system because of an involuntary transfer of the member's unit to another employer, all of the employer contributions made 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, the cost of which must be shared equally by the previous system and the new system.

State Fiscal Effect: The fiscal 2024 budget as passed by the General Assembly includes $695,049 to transfer eight staff (including $236,317 in general funds and $458,732 in federal funds) from St. Mary's County to State employment, which is contingent on enactment of this bill.

New Positions in State Government

The fiscal 2024 budget as passed by the General Assembly specifies that the eight additional PINs, including the assistant Attorney General (AAG), are within DHS; however, AAGs are generally employed and appointed by OAG, but funded by the agency they work with on a fee-for-service basis. This discrepancy does not affect total expenditures but results in an operational inconsistency with State personnel practices. Additionally, St. Mary's County has eight other positions (two of which are vacant). However, the fiscal 2024 budget as passed by the General Assembly creates only seven other PINs in DHS to handle the bill's transfer, so this analysis assumes that one of the vacant PINs is eliminated.

As the bill effectuates the fiscal 2024 contingent appropriation, general fund expenditures increase by $236,317 in fiscal 2024. This amount covers the general fund share of the costs associated with transferring the eight employees (which includes the attorney) and other operating expenses related to the new PINs, such as office furniture and computers for them.

General and Federal Fund Revenues

St. Mary's County currently pays DHS an annual administrative fee of approximately $32,292 for child support functions in the State's Attorney's Office. By transferring the functions of child support enforcement to CSA, the county no longer pays the fee, so general fund revenues decrease by approximately $24,219 in fiscal 2024 (which accounts for the bill's October 1, 2023 effective date) and by $32,292 annually thereafter.

Under the bill, DHS continues to receive matching federal funds for child support functions. Rather than passing the funds through to St. Mary's County to use for child support, DHS instead retains them once the duties of the office become a State function. However, since St. Mary's County has two vacancies and the budget includes funding to fill one of those vacancies, the federal matching funds (and corresponding expenditures, which include new equipment) increase by $38,414 in fiscal 2024 for the additional position (which is assumed to be filled once transferred to DHS); out-year increases reflect inflation and elimination of one-time costs.

Pension Costs

St. Mary's County is a participating governmental unit in the State Employees' Retirement System, Alternate Contributory Pension Selection system, and Reformed Contributory Pension Benefit system. As such, all current St. Mary's County employees should already be members of one of the State systems. The State Retirement Agency (SRA) can conduct the necessary actuarial valuation, and complete the transfer of assets, with existing resources. Thus, the bill should not affect SRA, as affected employees generally remain in the same plan. Although pension liabilities associated with the transferred personnel shift from being local to State liabilities, the required transfer of assets results in the shift having no net effect on State or local pension liabilities.

Local Expenditures: St. Mary's County estimates that its expenditures decrease by at least $249,230 in fiscal 2024 (which accounts for the bill's October 1, 2023 effective date) and $332,307 annually thereafter once it is relieved of the obligation to pay its share of child support operations. The annualized estimate reflects $285,484 of personnel savings from transferring the positions, along with other operating expenses of $46,823, which includes the administrative fee paid to DHS. In fiscal 2024 only, any expenditure decrease associated with no longer providing child support operations is partially offset by the amount of any compensation owed to employees due to the termination of county employment.

The Department of Legislative Services notes that the savings to St. Mary's County are greater than the resulting costs to the State in part because of the elimination of one funded position currently partially funded by St. Mary's County. Other factors include different fringe benefits provided by the State and the county.

Additional Comments: The general fund appropriation of $236,317 for eight additional PINs in DHS in the fiscal 2024 budget as passed by the General Assembly is for a full year of compensation, based on the assumption that positions are transferred as of July 1, 2023. However, the bill takes effect October 1, 2023, so the State is required to pay only nine months of compensation. Therefore, the budgeted general fund appropriation exceeds the projected cost of paying for the additional PINs in fiscal 2024 by at least $25,000.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Department of Human Services; State Retirement Agency; St. Mary's County; Department of Legislative Services

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