

(4) If the subtraction allowed under paragraph (2) of this subsection exceeds the Maryland taxable income that is computed without the modification allowed under this subsection and the subtraction is not used for the taxable year, the excess may be carried over to succeeding taxable years, not to exceed 5, until the full amount of the subtraction is used.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect ~~October~~ July 1, 2002, and shall be applicable to all taxable years beginning after December 31, 2001.

May 15, 2002

The Honorable Casper R. Taylor, Jr.
Speaker of the House
State House
Annapolis MD 21401

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 495 – Department of Human Resources – Welfare Reform and Child Support Enforcement – Repeal of Sunset.

House Bill 495 continues the child support privatization pilot in Baltimore City and Queen Anne's County for three years with an option for two additional one-year extensions. The bill also requires the Secretary of the Department of Human Resources (DHR) to establish child support demonstration sites on a phased-in basis in all jurisdictions that are not currently privatized. The Fiscal Year 2003 Operating Budget bolsters the intent of House Bill 495 with restrictive language mandating that \$11.2 million can only be spent on privatized operations in Baltimore City and Queen Anne's County during the upcoming fiscal year.

When the current child support pilot program sunsets in October of this year, the pilot will be seven years old. First established in 1995, and then re-authorized in 1999, the intent of the pilot was mainly two-fold: to foster competition between public and private child support operations, and to determine the "best practices" by which child support services are delivered in Maryland. The decision to veto House Bill 495 is based on a history of performance outcomes and data collection for the entire period of the pilot. Extending what was to be a *pilot* for three additional years of analysis is unnecessary and unadvisable.

In order to initiate an unbiased review of the pilot program, DHR contracted last fall with independent consultants from the Regional Economic Studies Institute (RESI) and the Johns Hopkins University to evaluate the performance outcomes in all 24 jurisdictions. Their findings indicated clearly that the state-run demonstration sites had improved their overall performance at a faster rate, compared to privatized sites. Neither Johns Hopkins University nor RESI, despite months of analysis, produced evidence that privatizing child support services improved the State's overall performance. In fact, the RESI study projects that State-run sites will continue to outperform privatized sites well into the foreseeable future.