

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 291 (Senator Hoffman. *et al.*)

Budget and Taxation

**Residential and Nonresidential Child Care Programs and Nonpublic General
Education Schools - Rate Setting**

This emergency bill requires the Maryland State Department of Education (MSDE) to administer and implement a redesigned rate setting process for nonpublic general education schools, residential child care programs, and nonresidential child care programs. The bill establishes MSDE as the fiscal agent of the Subcabinet Fund for Children, Youth, and Families. A decision regarding the amount or implementation of rates established by MSDE may be appealed to the subcabinet. The subcabinet must issue a final and binding opinion on the rates set by the Interagency Rates Committee within 30 days of receiving a request for appeal. The bill requires that all positions and funds appropriated to the Rates Unit within the Office for Children, Youth, and Families (OCYF) be transferred to MSDE.

Fiscal Summary

State Effect: None. Net State expenditures would not be affected, since resources would be transferred between agencies. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Effect: This bill transfers responsibility and funding for rate setting of nonpublic education services and residential and nonresidential children services from OCYF to MSDE.

The rate determination process involves providers submitting budgets to the State with a rate based on allowable costs and the number of children receiving services. The rates are determined annually by the State.

The Rates Unit within OCYF has one position and a proposed general fund budget totaling \$58,000 in fiscal 2000. This position is primarily responsible for establishing the rate setting structure. MSDE advises that four positions (one section chief, two staff specialists, and one administrative specialist) at an annualized cost of \$212,400 would be required to administer and establish a rate setting structure.

MSDE advises that the additional staff is needed to adequately administer and develop the rate setting structure, especially in the first year of operation. MSDE contends that the staffing request is similar to the number of positions provided to OCYF when the office first became responsible for establishing a rate setting structure. Due to budget reductions and personnel reassignments within OCYF, there is currently only one position assigned to administer and develop the rate setting structure. Staff within the Departments of Education, Human Resources, Health and Mental Hygiene, and Juvenile Justice assist OCYF in the process. OCYF concurs with MSDE's assessment that additional positions are needed within the Rates Unit.

The Department of Legislative Services advises, however, that since this bill does not require MSDE to perform any additional responsibilities over what currently is performed by OCYF, and since the Departments of Human Resources, Health and Mental Hygiene, Juvenile Justice, Budget and Management, and the Office of Children, Youth, and Families must assist MSDE as part of the inter-agency subcabinet, State expenditures should not increase. If, however, MSDE is required to conduct a more extensive review and analysis of service providers' budget request as part of a more comprehensive rate setting process, additional staff might be warranted. The Department of Legislative Services advises that any additional staffing at MSDE due to the rate setting responsibility should be addressed through the State's budgetary process.

Additional Comments: Legislation enacted in 1998 (Chapter 609) required MSDE and the Departments of Health and Mental Hygiene, Human Resources, Juvenile Justice, and Budget and Management to redesign the rate setting structure for private residential or nonresidential child care programs and nonpublic general education schools. The 1998 legislation also required the departments to redesign the rate setting structure by September 1, 1998 and submit an implementation plan to the budget committees by October 1, 1998. MSDE has already developed and submitted the implementation plan as required by Chapter

609. Pursuant to this legislation, MSDE is required to adopt this implementation plan for use on a pilot basis in preparing the State budget for fiscal 2001 and on a permanent basis in fiscal year 2002.

Small Business Effect: This bill would affect small businesses who provide children's services. The effect will vary for each provider, depending on the rate setting structure developed by the State.

Information Source(s): Maryland State Department of Education; Office of Children, Youth, and Families; Department of Human Resources; Department of Legislative Services

Fiscal Note History: First Reader - March 1, 1999
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