

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 529
Ways and Means

(Delegates Zirkin and O'Donnell)

Education, Health, and Environmental
Affairs

**Department of Education - Residential Child Care Programs - Rate Setting
Incentives**

This bill requires the Maryland State Department of Education (MSDE) to incorporate incentives into the rate setting methodology for residential child care programs in order to develop programs in underserved geographic areas of the State.

Fiscal Summary

State Effect: General fund expenditures for placements in residential child care programs would increase. Incentives based on data about underserved geographic areas of the State could be incorporated into the rate setting methodology with existing resources.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: MSDE administers and implements the rate setting process for residential child care programs. The Department of Human Resources, the Department of Juvenile Justice, the Department of Budget and Management, the Office of Children, Youth, and Families, and the Department of Health and Mental Hygiene participate in the development and implementation of rates in programs licensed or approved by the agencies.

Background: A September 2000 Executive Order established the Task Force to Study the Licensing and Monitoring of Community-Based Homes for Children. The task force met from February to September 2001 and submitted a final report in October 2001. The report recommended that rate setting incentives be granted to providers that offer programs in underserved geographic areas. Other task force recommendations included:

- strengthening the regulations surrounding the licensing and monitoring of community-based homes;
- requiring group home administrators to be certified;
- improving training for case workers who work with children placed in community-based homes; and
- providing additional funding for licensing and monitoring operations.

State Fiscal Effect: It is assumed that the provision of incentive funding would increase the number of available residential child care slots in areas of the State that are not currently being served. In addition, existing programs in underserved regions could receive higher rates from the State. To the extent that these effects are realized, State expenditures for placements would increase. The costs of residential child care are borne by a number of State agencies, depending on which agency refers the child to the placement and the type of services the child needs. Annual per child rates generally range from a low of \$40,000 to a high of more than \$100,000.

There is no centralized database of all the community-based homes used by State agencies, making the provision of effective incentives difficult. MSDE advises that, before establishing incentives based on geographic needs, it would need data on current programs and current needs throughout the State. Using this information, it could develop a method to identify and quantify the need for additional residential child care slots in different areas of the State. Incentives could then be incorporated in the rate setting methodology based on the gap between local needs and local resources. Although the data needed to properly implement the bill are not available at this time, incentives based on anecdotal evidence about underserved regions could be incorporated into the rate setting process with existing MSDE resources and the cooperation of other State agencies.

Small Business Effect: Small business residential child care programs operating in underserved areas could benefit from the legislation if they are paid higher rates. The bill could also encourage the establishment of new residential child care centers in underserved areas. Child care centers operating in areas that are not underserved would not benefit from the incentives and could experience increased competition from new providers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

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mld/hlb

Analysis by: Mark W. Collins

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