

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 1147 (Delegate Zirkin, *et al.*)
 Ways and Means

**Office for Children, Youth, and Families - Residential Child Care Programs -
 Children in Out-of-Home Placement**

This bill requires the Office for Children, Youth, and Families (OCYF), with the Department of Health and Mental Hygiene (DHMH), the Department of Human Resources (DHR), the Department of Juvenile Services (DJS), and the Maryland State Department of Education (MSDE), to develop an outcomes evaluation system for out-of-home placements used by State agencies. After January 1, 2006, the bill prohibits children committed to DJS from being placed in group homes with children committed to any other State agency. It requires each child in DJS custody to be placed in a State-funded regional facility operated by DJS by January 1, 2008.

Fiscal Summary

State Effect: At least \$56 million in general obligation bonds would be necessary to finance DJS capital construction costs. General fund expenditures could increase by an estimated \$1.6 million in FY 2005 to contract with an information technology vendor and to hire additional OCYF and DHR personnel. Future year expenditures reflect increased provider rates beginning in FY 2007 as well as salary increases and inflation. General fund revenues could increase beginning in FY 2006 as administrators begin paying a certification fee.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$0	-	-	-	-
GF Expenditure	1.6	1.7	2.1	3.2	3.6
Bond Exp.	56.0	0	0	0	0
Net Effect	(\$57.6)	(\$1.7)	(\$2.1)	(\$3.2)	(\$3.6)

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

Local Effect: None.

Small Business Effect: Significant for group homes whose rates could increase to hire staff with greater qualifications, to cover the costs of entering additional data into a new database, and to provide summer activities for children in group homes.

Analysis

Bill Summary: OCYF must develop a system for outcomes evaluation and then coordinate the system's planning and implementation. The system must allow the State to:

- monitor the care, supervision, education, and treatment in State-operated and State-supported programs so successful services to children in out-of-home placement can be expanded and services that do not produce positive results can be identified and adjusted or eliminated;
- evaluate the outcomes of children at six-month intervals following discharge from an out-of-home placement to determine which services best enabled the children to maintain healthy functioning in their communities and stay out of the juvenile services system; and
- effectively allocate its resources, based on demonstrated outcomes.

By January 1, 2008, cooperating departments must ensure that all out-of-home placement facilities participate in the uniform system for outcomes evaluation. By September 1, 2005, and by September 1 of each year afterward, OCYF must submit a report to the General Assembly on the progress of developing, testing, and implementing the system for outcomes evaluation for out-of-home placement of children.

The bill also: (1) sets requirements that all direct care staff must meet by January 1, 2008; (2) requires program administrators to be certified by January 1, 2006; (3) establishes standards and procedures for community advisory boards and requires them to register; (4) requires quarterly reporting for DHR licensed group homes; and (5) requires summer educational and recreational activities for children in group homes.

Current Law:

Department of Human Resources

DHR's Social Services Administration (SSA) must establish a program for out-of-home placement (foster care) for minor children: (1) who are placed in a local department of social services' custody for not more than six months by a parent or legal guardian under a voluntary written agreement with the local department; (2) who are abused, abandoned, neglected, or dependent, if a juvenile court determined that continued residence in the child's home is contrary to his or her welfare and that committed the child to the local department's custody or guardianship.

DHR must provide for the care, diagnosis, training, education, and rehabilitation of children by placing them in group homes and institutions operated by for-profit or nonprofit corporations. A person must be licensed by SSA before he or she may place minor children in homes or with individuals. Any group home must be licensed by SSA as a child care home or child care institution.

Department of Health and Mental Hygiene

DHMH's Developmental Disabilities Administration (DDA) licenses group homes that provide residential services for individuals who require specialized living arrangements because of their developmental disability. The homes admit at least four and a maximum of eight individuals and provide 10 hours or more of supervision per home, per week.

Department of Juvenile Services

DJS must provide for the care, diagnosis, training, education, and rehabilitation of children by placing them in group homes and institutions operated by any nonprofit or for-profit entity. DJS must license a person as a child care home or child care institution before the person may exercise care, custody, or control over a child who is alleged or adjudicated as delinquent or in need of supervision.

Background: For a number of years, the Maryland Partnership for Children, Youth, and Families discussed the development of an interagency management information system to be used by frontline personnel. The system was envisioned as a means to share client data for case planning and case collaboration; identify resources for clients; and produce accurate interagency client data for planning, analysis, budgeting, and evaluation. A number of barriers, however, have impeded progress on the system.

Further evidence of the need for a statewide system to track children in out-of-home placements was uncovered by 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 noted that there is no centralized database of all licensed community-based homes and that there is no link between funding and the quality of services provided by programs. The task force recommended that a database of licensed providers be developed and maintained.

According to OCYF, there are approximately 350 out-of-home youth placement licenses issued by the State: approximately 300 issued for placements by DHR; approximately 19 issued for placements by DJS; and approximately 20 issued for placements by DHMH exclusively for children and approximately 15 issued for placements that may include children and adults. Multiple licenses may be issued to a single provider.

State Revenues: General fund revenues for DHR, DHMH, and DJS could increase as residential child care program administrators become certified, assuming they are charged a certification fee by the licensing department. A certification fee is not specified under the bill.

State Expenditures: At least \$56 million in general obligation bonds would be necessary to build State-funded facilities operated by DJS for approximately 800 children at a cost of approximately \$70,000 per child. Increased general fund expenditures for operating costs are expected because State-operated facilities are generally more expensive to operate than facilities operated by the private sector.

General fund expenditures would increase to: (1) contract with an information technology vendor to develop an information system that could capture service delivery and outcomes data as proposed in the bill (\$1.5 million per year); (2) pay additional provider fees to licensed out-of-home placement facilities (\$1.6 million annually by fiscal 2009); and (3) provide the proper staff at OCYF and DHR to coordinate efforts (\$140,000 to \$500,000 annually). Based on the deadlines set in the bill, the vendor contract and some of the additional personnel would be required in fiscal 2005, and the additional provider fees would not begin to take effect until fiscal 2007.

DHR, DHMH, and DJS personnel expenditures could increase further if provider fees rise because current staff would have to meet the expanded qualifications required by the bill. Providers might need to send existing staff to school to meet the requirements or fire or reassign existing staff and hire new staff that has the necessary credentials. Provider fees also could increase to provide children in their care with educational and recreational activities during the summer.

Contracting with an Information Technology Vendor

Beginning in fiscal 2005, it is assumed that OCYF, as the lead agency, would contract with a private vendor to develop an online database system that would allow out-of-home placement providers to enter client data. The vendor contract would continue through at least fiscal 2008, when all out-of-home placement facilities would have to track outcomes and enter data into the system. The Department of Legislative Services (DLS) assumes the vendor payment would continue in fiscal 2009 to make any necessary system changes once it is in use. Although the cost to have a vendor develop the information system is difficult to estimate, it is expected that the contract would range from \$1 million to \$2 million per year. For purposes of the fiscal note, the annual cost is estimated at \$1.5 million. The high projected cost of the contract is in response to the factors and assumptions stated below.

- The database would be accessed online by individuals who have the proper clearance to view data, enter data, or download data from the system.
- The database would warehouse a very large data set. From fiscal 1997 to 2002, there were 28,000 to 30,000 children served each year in out-of-home placements. A large number of service delivery and outcome-related data elements would be collected for each child.
- The database would be required to maintain strict confidentiality policies to protect sensitive information about clients. Therefore, the system would allow for different access levels and would include very tight security controls.
- The database would integrate with a number of existing management information systems. State agencies that place children in residential facilities have databases that they currently use to track clients. Rather than eliminating the existing systems, it is assumed that existing systems would feed data into the new system.
- The system developed to implement the bill would include very specific data entry instructions and strict controls on data entered into the system to ensure that client records are accurate.
- Training on the new system would be included in the vendor contract.

Increased Provider Fees

Department of Human Resources

It is assumed that out-of-home placement providers would require additional fees from the State to cover the costs of entering additional data into a new database. Based on an assumption of four additional hours of work per week for each licensed organization that operates a residential facility, DHR estimates new provider expenses of \$911,000 for the 146 organizations it licenses. These expenses would be passed on to the State through increased rates for community-based facilities.

DHR refers approximately 57% of all children in out-of-home placements. Assuming that \$911,000 represents 57% of the cost increase, expenditures for community-based placements would increase by approximately \$1.6 million.

By January 1, 2008, midway through fiscal 2008, all out-of-home placement facilities would be required to participate in outcomes evaluation efforts. However, it is assumed that some providers would begin to test the information system in fiscal 2007. Therefore, approximately one-quarter of the annualized costs would be incurred in fiscal 2007, three-quarters of the annualized cost would be incurred in fiscal 2008, and the full \$1.6 million annual impact would be incurred in fiscal 2009 and each fiscal year thereafter.

Administrative Costs for the Office for Children, Youth, and Families and the Department of Human Resources

To oversee the outcomes evaluation efforts, DHR would need one additional position and OCYF would need two additional positions, increasing general fund expenditures by an estimated \$139,167 in fiscal 2005. This estimate accounts for the bill's October 1, 2004 effective date and includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	<u>OCYF</u>	<u>DHR</u>	<u>Total</u>
Salaries and Fringe Benefits	\$82,039	\$39,490	\$121,529
Operating Expenses	<u>10,325</u>	<u>7,313</u>	<u>17,638</u>
<i>Total FY 2005 Expenditures</i>	\$92,364	\$46,803	\$139,167

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

As out-of-home placements begin testing the information technology system and entering data in fiscal 2008, OCYF estimates that four additional positions would be needed to visit out-of-home placements to ensure consistent data collection practices; analyze the data and produce reports on outcome measures; and coordinate with contract monitors at DHR, DHMH, DJS, and MSDE to ensure that outcomes are factored into contracts for the placements. The annualized cost of the additional personnel is estimated at approximately \$300,000 and would be incurred in fiscal 2008 and 2009.

Additional Information

Prior Introductions: None.

Cross File: SB 781 (Senator Giannetti) – Judicial Proceedings.

Information Source(s): Department of Health and Mental Hygiene, Department of Human Resources, Department of Legislative Services

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