

# Department of Legislative Services

Maryland General Assembly

2006 Session

## FISCAL AND POLICY NOTE

House Bill 1609

(Delegate Jones, *et al.*)

Appropriations

### Family Law - Foster Care - Payment Rates

This bill changes how foster care rates are set to require the rate for a child who does not need special care and is placed in a single-family home to be the amount reported annually by the U.S. Department of Agriculture (USDA) as the estimated average annual expenditure on a child who is between 9 and 11 years old for middle-income families in the urban South, adjusted annually. The monthly foster care rate may be increased based on the need for extra care and supervision because of the special physical, emotional, or behavioral needs of the child. The Governor must include in the State budget sufficient funding to provide for the following percentages of the specified USDA rate for a child who does not need special care: 75% in fiscal 2008, 85% in fiscal 2009, 95% in fiscal 2010, and 100% in fiscal 2011 and thereafter. The bill repeals provisions establishing the rate the Department of Human Resources (DHR) and Department of Juvenile Services (DJS) must pay for foster care for a child who needs the most demanding special care in a single-family home.

### Fiscal Summary

**State Effect:** No effect in FY 2007. DHR general and federal fund expenditures could increase by \$8.0 million in FY 2008. Future year expenditures assume inflation, the increasing percentage of the USDA rate being applied, and DJS expenditures increasing beginning in FY 2009. No effect on revenues.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	6.0	17.0	29.4	38.2
FF Expenditure	0	2.0	5.7	9.8	12.7
Net Effect	\$0	(\$8.0)	(\$22.7)	(\$39.2)	(\$50.9)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Current Law:** DHR must adopt rules and regulations that establish eligibility guidelines for payment for foster care for one or more classes of children, including children in need of special care. For a child who does not need special care, DHR must pay for foster care in a single-family home at a monthly rate that is at least 55% of the monthly rate provided for a child who requires the most demanding special care in a single-family home. The monthly rate must include increments based on the age of the child. DHR must pay for foster care for a child who needs the most demanding special care in a single-family home at a monthly rate that is not less than the higher of the rate DHR paid in fiscal 1975 and the rate DJS pays for the current fiscal year.

DHR may contribute to the support of a child formerly under foster care after the child is adopted. The support may include payment for maintenance costs; medical, dental, and surgical expenses; psychiatric and psychological expenses; and any other costs necessary for the child's care and well-being. The amount and duration of the support may vary according to the needs of the child and the income of the adoptive parents.

**Background:** USDA issues an annual report estimating the annual expenditures on a child by husband-wife families nationwide and provides data by region of the country. In the urban South in 2004 (the most recent year data were available), for families with a before-tax income of \$41,300 to \$69,500, \$10,030 was spent on a child who is between the ages of 9 and 11. The funds were spent in the following ways: \$3,230 for housing, \$2,010 for food, \$1,400 for transportation, \$530 for clothing, \$870 for health care, \$880 for child care and education, and \$1,110 for miscellaneous expenses.

**State Expenditures:** No effect in fiscal 2007 because this bill would increase the foster care rate beginning in fiscal 2008. The bill requires foster care payments to be a percentage of the USDA rate: 75% in fiscal 2008, 85% in fiscal 2009, 95% in fiscal 2010, and 100% in fiscal 2011.

For purposes of this analysis, it is assumed that the specified USDA rate that is compared against the current foster care rate paid in Maryland would include health care expenditures. Additionally, this analysis assumes that the USDA rate would increase by 2.5% annually. As a result, this analysis assumes a USDA rate of \$10,538 in fiscal 2008,

\$10,801 in fiscal 2009, \$11,071 in fiscal 2010, and \$11,348 in fiscal 2011. To the extent that the USDA rate increases or decreases from this estimated percentage, general and federal fund expenditures could increase or decrease.

**Exhibit 1** below details the foster care rate increases for DHR and DJS.

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**Exhibit 1**  
**DHR and DJS Foster Care Payment Rate Increases**

	<u><b>FY 2008</b></u>	<u><b>FY 2009</b></u>	<u><b>FY 2010</b></u>	<u><b>FY 2011</b></u>
USDA Rate*	\$10,538	\$10,801	\$11,071	\$11,348
Percent Applied	75%	85%	95%	100%
Rate to be Paid	7,903	9,181	10,518	11,348
Current DHR Foster Care Rate	7,020	7,020	7,020	7,020
Difference	883	2,161	3,498	4,328
Current DHR Rate for Adopted Children	7,200	7,200	7,200	7,200
Difference	703	1,981	3,318	4,148
Current DJS Foster Care Rate	9,132	9,132	9,132	9,132
Difference	(1,229)	49	1,386	2,216

\*USDA rate is estimated based on a \$10,030 2004 actual rate and an estimated 2.5% annual increase.

Source: Department of Human Resources, Department of Juvenile Services, U.S. Department of Agriculture, Department of Legislative Services

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***DHR***

The average foster care rate paid by DHR for children in foster care is \$585 per month (\$7,020 annually) and for children who are adopted out of foster care it is \$600 per month (\$7,200 annually). A child “ages out” of foster care at age 18 unless the child is attending college and then ages out at age 21. For the purposes of this analysis, it is assumed that 6% of children age out of the foster care system annually. This analysis also assumes that 850 children are adopted out of foster care annually and that, even with these adoptions, the number of children in foster care increases 4% annually. Further, it is assumed that DHR receives 25% in federal funds for these expenditures.

Total DHR expenditures could increase by \$8,025,232 (\$6,018,624 general/\$2,006,308 federal) in fiscal 2008 to increase foster care payments for children in foster homes and

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for children adopted out of foster homes who receive foster care payments as shown below.

- Expenditures for children placed in foster care would increase by \$2,495,397 (\$1,871,548 general/\$623,849 federal) in fiscal 2008. The foster care rate per child would increase by \$883 annually for an estimated 2,825 children.
- Expenditures for children adopted out of foster care whose parents would continue receiving foster care payments until the children reach age 18 (or age 21 for children attending college) would increase by \$5,529,835 (\$4,147,376 general/\$1,382,459 federal) in fiscal 2008. The rate per child would increase by \$703 for an estimated 7,862 children.

Future years assume: (1) 6% of adopted children age out of foster care payments annually; (2) 850 children adopted out of foster care annually; (3) even so, a 4% increase in the foster care caseload; and (4) 2.5% increase in the USDA-specified expenditures for children ages 9 to 11 in the urban South.

DHR assumed in its estimate that the USDA rate used in comparison to the foster care rate would not include health care costs because the department assumed that families with private health insurance could add a child to their health plan at a lower cost and that for families without health insurance, the child would be eligible for Medicaid. However, the bill does not allow for the exemption of health care expenditures from the USDA rate. If doing so were allowed under the bill, expenditures would decrease.

### *DJS*

This bill also would increase the foster care rate paid by DJS. DJS's average daily foster care population is 15 children. DJS pays \$761 per month (\$9,132 annually) for children placed in foster care. Generally, children placed by DJS in a foster home are not eligible for federal funds. This estimate assumes that any increase in DJS expenditures as a result of this bill would be in general fund expenditures only.

DJS would not be required to increase its foster care rate until fiscal 2009, when the rate would increase by \$49 annually per child, a total of \$735 for all 15 children. In fiscal 2010, the rate would increase by \$1,386 annually per child, a total of \$20,785. In fiscal 2011, the rate would increase by \$2,216 annually per child, a total of \$33,240 for all children.

## Additional Information

**Prior Introductions:** None.

**Cross File:** SB 932 (Senator Lawlah, *et al.*) – Finance.

**Information Source(s):** Department of Juvenile Services; Department of Human Resources; *Expenditures on Children by Families, 2004*, U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, April 2005; Department of Legislative Services

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