

Department of Legislative Services

Maryland General Assembly

2007 Session

FISCAL AND POLICY NOTE

House Bill 1176

(Delegate Jones, *et al.*)

Appropriations

Family Law - Foster Care - Payment Rates

This bill changes how foster care rates are set, beginning in fiscal 2010, by tying the rate for a child who does not need special care and is placed in a single-family home to the U.S. Department of Agriculture (USDA) estimated average annual expenditure on a child between 9 and 11 years old by middle-income families in the urban South, adjusted annually. This monthly foster care rate is the minimum amount to be paid. The monthly rate may be increased based on the child's age as well as the need for extra care and supervision because of the special physical, emotional, or behavioral needs of the child. The bill repeals provisions establishing the rate the Department of Human Resources (DHR) 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 until FY 2010. DHR general and federal fund expenditures could increase by \$2.7 million in FY 2010. Future year expenditures assume inflation and caseload growth.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	2.0	2.8	3.8
FF Expenditure	0	0	.7	.9	1.3
Net Effect	\$0	\$0	(\$2.7)	(\$3.7)	(\$5.1)

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

Local Effect: None.

Small Business Effect: None.

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 the Department of Juvenile Services 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 2005 (the most recent year data were available), for families with a before-tax income of \$42,800 to \$72,000, approximately \$10,370 was spent on a child who is between the ages of 9 and 11. The funds were spent in the following ways: \$3,330 for housing, \$2,050 for food, \$1,500 for transportation, \$530 for clothing, \$910 for health care, \$930 for child care and education, and \$1,120 for miscellaneous expenses.

State Expenditures: There would not be a fiscal impact until fiscal 2010 at which time total DHR expenditures would increase by at least \$2,669,904 (\$2,002,428 general funds/\$667,476 federal funds) to increase foster care payments for children in single-family foster homes. In fiscal 2011 and 2012, the increase would be at least \$3.7 million and \$5.1 million, respectively, with the general fund supporting 75% of the increase and federal funds covering the remaining 25%. This estimate is based on the following information and assumptions.

The bill repeals the existing minimum foster care rate for a child in a single-family home effective October 1, 2007. However, the new minimum foster care rate would not take

effect until fiscal 2010. Legislative Services assumes that, although not specified in the bill, the existing minimum foster care payment rate would still apply in fiscal 2008 and 2009. DHR advised that the bill could impact rates for fiscal 2008 and 2009 as part of a phase-in process. Legislative Services disagrees and believes it would apply only in fiscal 2010 and future years.

The bill requires monthly foster care payments to be no less than one-twelfth of the USDA rate. For the purposes of this analysis, it is assumed that the USDA rate to be paid under the bill would include all expenditures noted above. Additionally, this analysis assumes that the USDA rate would increase by 3% annually based on the historical trend and that the USDA rate applied in a given fiscal year would be the most recent USDA rate published. Thus, if the rate were to go into effect in fiscal 2008, it would be the calendar 2005 average expenditures used. Since the bill applies to fiscal 2010, it would be the calendar 2007 average expenditures used. As a result, USDA rates used in this estimate would be \$11,002 in fiscal 2010, \$11,332 in fiscal 2011, and \$11,672 in fiscal 2012 as shown in **Exhibit 1**. To the extent that the USDA rate increases or decreases from this estimated percentage, general and federal fund expenditures would increase or decrease accordingly.

Exhibit 1
DHR Foster Care Payment Rate Increases Under the Bill

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
USDA Rate Applied to All Placements	\$11,002	\$11,332	\$11,672
Regular Foster Care Rate	10,068	10,068	10,068
Difference	934	1,264	1,604
Intermediate Foster Care Rate	11,280	11,280	11,280
Difference	(278)	52	392

Notes: The USDA rate is based on expenditures totaling \$10,370 in calendar 2005 (which would have applied in fiscal 2008 if the bill had an immediate impact). The expenditures are assumed to increase by 3% a year based on historical trends. The foster care rates are those reported by DHR that otherwise would be in effect in fiscal 2010 and subsequent years.

Source: Department of Human Resources, USDA, and Department of Legislative Services

The new rate under the bill would apply to children in both regular foster care homes and intermediate foster care homes. The rate could be adjusted for a child's age or special needs status. Children in intermediate foster care home placements may have special

needs due to physical handicaps, emotional disturbances, and severe learning disabilities. Thus, DHR currently pays a higher rate for intermediate foster care placements than for regular foster care placements. In fiscal 2010, DHR advises that, absent the bill, the regular foster care rate would be \$839 per month per child (\$10,068 annually) and the intermediate foster care rate would be \$940 per month per child (\$11,280 annually). Since DHR's projected rate for intermediate foster care placements would be higher than the base USDA rate in fiscal 2010, this analysis assumes that the DHR rate would apply in that year and not the USDA rate. Otherwise, foster care for children with special needs would be paid at a lower rate than for other children. The USDA rate would apply for children in intermediate care placements beginning in fiscal 2011.

This estimate also assumes the following caseloads in fiscal 2010: 2,860 children in regular foster care placements and 600 children in intermediate foster care placements. The number of children in foster care placements is expected to increase by 3% (100 children) annually, even with children leaving the foster care system because of their age or because they are adopted. This analysis also assumes 83% of that increase occurring among children placed in regular foster care and 17% of that increase occurring among children placed in intermediate foster care – the same distribution as the estimated caseload in fiscal 2010.

Generally, the estimate reflects the minimum rate to be paid for foster care and does not account for any increase due to the child's age or special needs status. The bill does not specify by how much DHR could increase the foster care rate. If DHR chooses to increase either its regular foster care or intermediate care rates as a result of this provision, DHR general and federal fund expenditures would further increase.

Additional Information

Prior Introductions: A similar bill, SB 932 of 2006, had a hearing in the Senate Finance Committee, but no further action was taken. Its cross file, HB 1609, received an unfavorable report by the House Appropriations Committee.

Cross File: SB 767 (Senator Kasemeyer) – Budget and Taxation.

Information Source(s): Department of Human Resources, U.S. Department of Agriculture, Department of Legislative Services

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mll/ljm

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