

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 453

(Senator Kasemeyer)

Finance

Family Law - Foster Care - Payment Rates

This bill requires the Department of Human Resources to annually determine the monthly rate for foster care in a single-family home based on annual data reported by the U.S. Department of Agriculture and establishes conditions under which DHR may increase the monthly rate. The bill establishes procedures for determining adjustments to family foster care rates and establishing the amount of reimbursement for support services.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: General and federal fund expenditures would increase by \$2.8 million in FY 2010. Future year expenditures reflect inflation. Revenues would not be affected.

| (in dollars) | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|----------------|---------|---------------|---------------|---------------|---------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 0 | 2,072,100 | 2,728,100 | 3,549,200 | 4,395,000 |
| FF Expenditure | 0 | 690,700 | 909,400 | 1,183,100 | 1,465,000 |
| Net Effect | \$0 | (\$2,762,800) | (\$3,637,500) | (\$4,732,300) | (\$5,860,000) |

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires DHR to annually calculate the minimum monthly rate for foster care in a single-family home at one-twelfth of the amount reported annually by USDA as the average annual expenditure for a child ages 9 to 11 in the middle income family bracket in the urban South. DHR is authorized to increase the monthly rate based on a child's age and need for additional care due to special needs. These provisions apply beginning in fiscal 2010.

The bill also requires the Secretary of Human Resources, in cooperation with foster care families and advocates, to determine appropriate adjustments to the monthly family foster care rates based on the age and jurisdiction of the child. The Secretary and stakeholders must also consider other services and supports to be reimbursed by the department, including child care, respite care, and transportation. The Secretary must report the results of these determinations to the General Assembly by December 1, 2009.

Current Law: Child welfare services are provided by DHR's Social Services Administration with an aim of preventing out-of-home placements and reuniting families after a child has been placed in foster care. If a child cannot return to his or her family, the administration must develop an alternative permanent plan for the child, which may include family foster care, kinship care, group care, or residential treatment care.

The department establishes rates for family foster care payments in the following manner.

- The monthly family foster care rate for a child who needs the most demanding special care is determined at the higher of DHR's 1975 rate for services or the Department of Juvenile Services' current rate.
- The monthly family foster care rate for a child who does not need special care must be at least 55% of the rate for a child who requires the most demanding special care. This rate must include increments based on the age of the child.

The department must also reimburse a foster care provider for medical costs not reimbursable by Medicaid, provide for reimbursement of losses caused by a foster child, and pay reasonable funeral expenses for a foster child. The department is also authorized to contribute to the support of a child formerly under foster care once the child is adopted.

Background: Since 1960, USDA has estimated annual expenditures for children up to age 17. In 2006, the most recent data available, USDA's estimates of annual expenditures by two-parent families are grouped into three pretax income brackets:

below \$44,200, \$44,200 to \$74,400, and greater than \$74,400. Expenditures are calculated to reflect regional differences as well as cost-of-living differences in urban and rural areas.

The estimated 2006 expenditures for a child ages 9 to 11 by a two-parent family in the urban South are detailed in **Exhibit 1**. Based on the age of the child, total expenditures for a child in the region range from \$10,690 to \$11,900 per year. In the age 9 to 11 bracket, the estimated annual expenditure of \$10,750 equates to \$896 per month.

Exhibit 1
Estimated 2006 Annual Expenditures for Family in the Urban South
Family Pretax Income of \$44,200 to \$74,400

| | <u>Housing</u> | <u>Food</u> | <u>Transportation</u> | <u>Clothing</u> | <u>Health Care</u> | <u>Child Care</u> | <u>Misc.</u> | <u>Total</u> |
|-----------|----------------|-------------|-----------------------|-----------------|--------------------|-------------------|--------------|--------------|
| Ages 9-11 | \$3,480 | \$2,100 | \$1,560 | \$530 | \$940 | \$990 | \$1,150 | \$10,750 |

State Expenditures: Although the bill repeals the existing rate setting criteria as of July 1, 2008, it is assumed that this change would not affect the proposed fiscal 2009 rates for family foster care. In fiscal 2010, total DHR expenditures would increase by an estimated \$2.8 million to align foster care family rates with the USDA expense estimates. Federal fund attainment is estimated at 25% in fiscal 2010 and subsequent years.

It is assumed that DHR would use the most recently available USDA data in establishing family foster care rates. The most recent data currently available indicate 2006 expenses of \$10,750 per year. When DHR establishes fiscal 2010 rates next year, it is assumed that these rates will be based on 2007 USDA expense data. Given historical trends, DLS estimates that USDA rates will increase by 3% on an annual basis, reflected in the rates in **Exhibit 2**. Actual State expenditures will vary based on increases or decreases in USDA reported data.

Exhibit 2
DHR Foster Care Payment Rates Under SB 453

| | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY2012</u> | <u>FY2013</u> |
|---------------------------------------|----------------|----------------|---------------|---------------|
| USDA Rate Applied to All Placements | \$11,073 | \$11,405 | \$11,747 | \$12,099 |
| Regular Foster Care Minimum Rate | 10,020 | 10,020 | 10,020 | 10,020 |
| Difference | 1,053 | 1,385 | 1,727 | 2,079 |
| Intermediate Foster Care Minimum Rate | 11,400 | 11,400 | 11,400 | 11,400 |
| Difference | (328) | 5 | 347 | 699 |

Note: The USDA rate assumes 3% annual increases, based on 2006 reported expenses of \$10,750. DHR rates reflect proposed fiscal 2009 rates without inflationary adjustments.

The new rate would apply to children in both regular and intermediate foster care homes, with adjustments made for a child's age or special needs status. Fiscal 2009 is the final year of a three-year plan to adjust family foster care rates based on regional consumer price index data. The proposed fiscal 2009 State budget assumes a minimum rate of \$835 per month for regular care (\$10,020 per year) and a minimum rate of \$950 for intermediate care (\$11,400 per year). At these rates, the regular foster care rate would need to be increased by \$1,053 per year beginning in fiscal 2010. As the intermediate care rate exceeds the projected USDA amount for fiscal 2010, a minimal increase in this category would not be required until fiscal 2011, with a more significant increase required in fiscal 2012.

DHR estimates a fiscal 2008 caseload of 2,625 children in regular family foster care and 575 children in intermediate family foster care. Caseload figures have stabilized recently and, based on recent data, DLS would not anticipate any significant changes in caseload; however, DHR has implemented a recruitment and retention plan to increase the number of foster care families by 1,000 by 2010. Although this would increase expenditures under the bill, it is assumed that this increase would be offset by savings resulting from the diversion of children from more costly foster care placements. The effect of this recruitment effort is not included in this analysis, which assumes that the current regular and intermediate care caseloads continue through fiscal 2013.

Additional Information

Prior Introductions: Similar bills were introduced in the 2006 and 2007 sessions. In 2007, the Senate Budget and Taxation Committee did not take action on SB 767. Its cross file, HB 1176, received an unfavorable report by the House Appropriations Committee. In 2006, the Senate Finance Committee did not take action on SB 932. Its cross file, HB 1609, received an unfavorable report from Appropriations.

Cross File: HB 803 (Delegate Jones, *et al.*) – Appropriations.

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

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mll/hlb

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