

MWD

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DATE PREPARED: January 24, 2012
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LB 961

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|--|--------------|---------|--------------|---------|
| | FY 2012-13 | | FY 2013-14 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | See Below | | See Below | |

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill would require that by September 1, 2012, case managers shall be employees of the Department of Health and Human Services. Caseloads must be reduced by 10% each year until each case manager's caseload is within the standards established by the Child Welfare League of America (CWLA). Case plans are required to be developed for non-court involved cases. The service areas in the western, northern and central areas shall align with the judicial districts so that no district court judicial district is included in more than one service area. The bill prohibits the department from contracting with a lead agency in the western, northern and central service areas. Lead agency contracts in the eastern and southeastern service areas cannot be extended past July 1, 2013.

The bill has two major provisions that impact costs: 1) the transfer of case management back to the state and 2) mandating caseload be reduced by 10% each year until caseload meet the standards established by the Child Welfare League of America.

Case Management

In January 2011, case management in the eastern and southeastern areas was transferred to the two lead agencies. The amount associated with the layoff of 77 FTE on an annualized basis was \$4,543,550 (\$2,271,775 GF and FF). This funding was moved from the agency's administrative budget program to the aid program containing child welfare to cover a portion of the contract amendments with the lead agencies totaling \$19 million. Since this was the saving from laying off state employees who previously performed case management functions, it could be assumed that in FY 13, 75% of this amount or \$3,407,662 (\$1,703,831 GF and FF) would be reduced from the lead agency contracts and freed up to hire state employee case managers; a net impact of zero.

Although it would seem that transferring case management back to the state would net to zero, this may not be the case. First, the fiscal note submitted by HHS indicates 82.5 FTE would need to be hired, higher than the 77 FTE positions that were eliminated in January 2011. The reason cited is the higher number of cases. Second, it is unclear if the freed up funding from the layoffs are paying for case management under the contracts with the lead agencies. Prior to HHS turning over case management to the lead agencies, they were required to seek approval from the Department of Administrative Services (DAS). The request to DAS stated that both lead agencies advised the HHS that the additional case management functions would be performed by existing staff. Since no additional staff were added by the lead agencies when case management was transferred to them, it is unclear if there would be savings.

The fund mix originally stated by HHS for the eliminated positions was 50% general funds and 50% federal funds. In the fiscal note for this bill, the fund mix is 80% general and 20% federal. Since only \$2,271,775 GF was transferred from the agency's operations budget (Program 033) to the aid budget (Program 347) and was used to increase the lead agency contracts, the difference between the original general fund amount and the higher general fund amount in the fiscal note remains in the agency's operations budget (Program 033), except for the costs associated with the additional 5.5 FTE. The estimated costs for the additional 5.5 FTE due to the higher caseloads would be \$256,460 (\$205,168 GF and \$51,292 FF).

Caseload Standards

HHS is required to file a caseload report with the Legislature annually. In the report submitted in October 2011, the number of caseworkers needed to meet CWLA standards is 555. As of December 29, 2011, there were 246 caseworkers employed by the department. Of the 82.5 FTE needed to return case management back to the state, 72.5 are case management positions. In addition, when case management was transferred to the two private agencies, 54 case management positions were retained by the state to serve as contract monitors. Under this bill, the total number of case managers employed by the state would be 372.5; 182.5 positions fewer than needed to meet CWLA standards. A 10% increase in FY14 would be 37 case managers and 5 supervisors. Total costs would be \$2,377,766 (\$1,902,212 GF and \$457,553 FF). Ongoing costs would be an additional \$2.3 million each year, for a cumulative total of \$20 million, assuming no significant changes in the number of cases.

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LEGISLATIVE FISCAL

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

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| | FY 2012-2013 | | FY 2013-2014 | |
|---------------|--------------|---------|--------------|---------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | See Below | | See Below | |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 961 requires that DHHS hire case managers to manage cases returned to the Department from the lead contractors. There are currently 3,575 families being served by the contractors. This fiscal note assumes a range of costs. At the low end of the cost, the Department would rehire 82.5 FTE to return to the FTE level we were at before transferring case management to the lead contractors. These 82.5 FTE would consist of 72.5 FTE Child and Family Services Specialist and 10 FTE Children and Family Specialist Supervisors. This would cost the Department approximately \$5,902,000 (\$4,721,600 General Fund/ \$1,180,400 Federal Fund) in FY13 and \$7,487,366 (\$5,989,893 General Fund/ \$1,497,473 Federal Fund) in FY14. At the other end of the range, the Department would hire 223 FTE Child and Family Services Specialist and 33 FTE Child and Family Services Specialists Supervisors as well as other support staff. This would be necessary to retain the 16 families to one worker ratio the Department is requiring the lead contractors to maintain. This would cost the Department \$19,883,341 (\$15,906,673 General Fund/ \$3,976,668 Federal Fund) in FY13 and \$19,304,248 (\$15,443,398 General Fund/ \$3,860,850 Federal Fund) in FY14. In order to meet the Child Welfare League of America standards it would require 28 new staff each year for ten years, at a cost of \$2,000,000 per year.

This fiscal note assumes that the \$2,271,775 in general fund and \$2,271,775 in federal funds transferred to Program 347 per the Governor's request be moved back to Program 033 to help fund this bill.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

| POSITION TITLE | NUMBER OF POSITIONS | | 2012-2013 EXPENDITURES | 2013-2014 EXPENDITURES |
|---------------------------|---------------------|-------|---------------------------|---------------------------|
| | 12-13 | 13-14 | | |
| Benefits..... | | | | |
| Operating..... | | | | |
| Travel..... | | | | |
| Capital Outlay..... | | | | |
| Aid..... | | | | |
| Capital Improvements..... | | | | |
| TOTAL..... | | | See above | See above |