

PREPARED BY: Liz Hruska  
 DATE PREPARED: January 31, 2012  
 PHONE: 471-0053

**LB 926**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2012-13</b>		<b>FY 2013-14</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	3,578,781		3,578,781	
CASH FUNDS				
FEDERAL FUNDS	894,695		894,695	
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>4,483,473</b>		<b>4,483,473</b>	

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

Beginning July 1, 2012, this bill requires the Department of Health and Human Services to pay foster parents directly using the methods in the Foster Care Minimum Adequate Rates for Children study adjusted for inflation and the family's location with additional compensation provided for children with special needs. The bill also requires that foster parents be paid directly by the department. The contracts with lead agencies would need to be amended to remove the foster parent payments from the contracts.

The bill references a 2007 study of foster care rates done by the National Foster Parent Association and the University of Maryland School of Social Work. The components that make up the rates differ. For instance, the rate in the study included liability insurance. In Nebraska insurance is provided by the department. The following chart shows the rate difference, adjusted for liability insurance:

Age Range	# of Children	Study Rate	NE Rate	Difference Per Child	Total Difference
0 to 5	701	628	342	286	2,405,832
6 to 11	437	721	500	221	1,158,924
12 and older	440	791	617	174	<u>918,720</u>
					<u>4,483,476</u>

The costs to adjust the foster care rates to foster parents would be \$4,483,473 (\$3,578,781 GF and \$894,695 FF) annually.

LB<sup>(1)</sup> 0926

# FISCAL NOTE

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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

Prepared by: (3) Willard Bouwens

Date Prepared:(4) 1-31-12

Phone: (5) 471-8072

	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:

The fiscal impact of LB926 would include the Department of Health and Human Services (DHHS) taking funds designated for contracts with subcontractors and lead agencies to pay for the foster care payments to be made directly to foster parents. However, the rates in the M.A.R.C. study are not exactly comparable to the Nebraska foster care payment structure for sub-contractors because 1) Nebraska's rates for Agency Supported Foster Care include recruitment, retention, and training costs as well as the cost of licensing activities, in addition to the foster care payment; 2) M.A.R.C. rates include an allowance for foster parent insurance but DHHS pays for all foster parent insurance; and 3) M.A.R.C. rates include transportation and clothing costs but DHHS and the lead contractors pay for this separately.

When the M.A.R.C study was done in 2007, an attempt was made to compare the DHHS rates then in effect with the M.A.R.C. rates after making adjustments to the M.A.R.C. study for *some* of the rate differences that could be reasonably estimated. This did not, however, adjust the two sets of rates to be exactly comparable since only the differences due to liability insurance coverage, respite care rate differences, and the range of the DHHS base rate payments were included in the adjustments. Given these provisions, at the time of the study, the comparison of the adjusted rates indicated that for children aged 0-5 years that the Nebraska rates would have required an adjusted rate increase of somewhere between 76 to 100%. For the two age groups of 6-11 and 12 or older the adjusted rate increase would have been somewhere between 26 to 50%. This comparison was done only for the group of children who had a placement type which used the 'Foster Care Payment Determination' indicator, so it did not include Agency Based Foster Home and Treatment Foster Home Placements. Using December 2011 data for children in the same placement settings as in the 2007 group and using the DHHS and M.A.R.C. rates, the estimated expenditure using the DHHS rates would be \$8,755,932 and for the M.A.R.C. rates the expenditure would be \$13,240,140 a difference of \$4,484,208 or a 51% difference.

Besides a possible rate increase another consequence of the bill would be that DHHS would have to hire additional FTE's statewide to do the assessments of families to establish the rates based on the child's needs. A further consequence would be that DHHS will likely need to resume all responsibility for the licensing work currently conducted by the lead agencies and subcontractors. This would result in a significant shift of responsibilities throughout the state as the current system is not set up this way.

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.....		
<b>TOTAL.....</b>	<b>See above</b>	<b>See above</b>