

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 7, 2005

TO: Honorable Suzanna Gratia Hupp, Chair, House Committee on Human Services

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB6 by Nelson (Relating to protective services; providing penalties.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB6, Committee Report 2nd House, Substituted: a negative impact of (\$122,115,782) through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$44,044,836)
2007	(\$78,070,946)
2008	(\$93,545,576)
2009	(\$105,070,830)
2010	(\$115,028,312)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings from <i>FEDERAL FUNDS</i> 555	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2006	\$899,781	(\$44,944,617)	\$1,673,226	(\$14,348,908)
2007	\$19,003,366	(\$97,074,312)	\$8,893,449	(\$28,651,677)
2008	\$28,780,205	(\$122,325,781)	\$12,148,971	(\$37,110,362)
2009	\$74,868,459	(\$179,939,289)	\$26,679,047	(\$52,882,265)
2010	\$98,498,290	(\$213,526,602)	\$34,275,616	(\$61,684,407)

Fiscal Year	Change in Number of State Employees from FY 2005
2006	646.9
2007	427.0
2008	248.2
2009	(661.9)
2010	(1,104.6)

Fiscal Analysis

ARTICLE 1. CHILD PROTECTIVE SERVICES

Section 1.15 would require the Department of Family and Protective Services (DFPS) to use highly skilled caseworkers to screen out less serious cases of abuse and neglect if a child's safety can be assured without further investigation. **Section 1.21** would require the agency to employ or contract with medical/law enforcement professionals throughout the state to provide forensic support and assist caseworkers. It would also require the agency to employ or contract with subject matter experts to consult with caseworkers.

Section 1.24 would require DFPS to perform a background and criminal history check of each individual identified as a potential caregiver on a child placement resources form, and a home study of the most appropriate caregiver if there is one. **Section 1.31** would require the agency, in cooperation with district and county courts, to expand the use of tele- and video- conferencing.

Section 1.30 relates to privatization of certain child welfare functions. It would require DFPS to contract with regional independent administrators who would secure, coordinate and manage substitute care and case management services in a geographically designated area of the state. It would also require the agency to contract with private agencies to provide all necessary substitute care and case management services. Substitute care services are broadly defined to include activities such as the recruitment of foster and adoptive families; family reunification; independent living; residential care; and post-placement supervision. Case management services are broadly defined to include children in temporary and permanent conservatorship and activities such as caseworker-child visits, family group conferences, service coordination, and various court-related duties.

Section 1.30 would require the Health and Human Services Commission (HHSC) and DFPS to adopt a transition plan by March 1, 2006. The plan would include numerous elements, such as an implementation plan for transferring all DFPS foster homes to private child-placing agencies; a process for assessing the needs of children transferred to a private provider; and a description of how the agency will shift to competitive procurement. The plan must ensure that the transition is completed in the first region by December 31, 2006, and completed statewide by September 1, 2009. The agency would be prohibited from directly providing substitute care and case management services (except in an emergency) after August 31, 2009.

Section 1.31 would require DFPS, in cooperation with district and county courts, to expand the use of tele- and video- conferencing. **Sections 1.33 through 1.36** would require DFPS to contract with private agencies as part of community-centered networks managed by independent administrators; contract with independent administrators; evaluate the performance of independent administrators; monitor service quality; and perform other oversight functions. **Section 1.37** would require the agency to assess whether children entering foster care have a developmental disability or mental retardation. **Section 1.44** would require the agency to establish a relative and other designated caregiver placement program with eligibility for monetary and support services based on family need.

Section 1.45 would require HHSC to develop a medical delivery services model that includes a statewide telemedicine system to link caseworkers with pediatric centers of excellence or other medical experts for consultation. It would also require the commission to develop health and educational passports for foster children with information available in electronic format by September 1, 2007. **Section 1.48** would require the commission to contract with the State Auditor to perform on-site financial audits of selected residential contractors. It would also authorize DFPS to develop an Internet-based system so residential child-care contractors can reconcile their accounts.

Section 1.57 would require DFPS to implement a mobile technology project and modify the design of its automated case management system. **Section 1.60** would require the agency to provide enhanced training for child protective services caseworkers, such as requiring core curriculum and advanced training before caseworkers transfer to a new specialty. **Section 1.63** would require the agency to implement a staffing and workload distribution plan for child protective services. **Section 1.72** would require the agency to periodically inspect a random sample of agency homes, establish minimum qualifications and training requirements for inspectors, and administer an examination program for inspectors.

ARTICLE 2. ADULT PROTECTIVE SERVICES

Section 2.02 would establish an incentive program to encourage certain department employees to obtain professional credentials in social work or psychology. **Section 2.03** would require DFPS to establish a training program that adult protective services employees must complete before initiating an investigation or providing services.

ARTICLE 3. GUARDIANSHIP AND RELATED SERVICES

Article 3 of the bill would make changes to the Human Resources Code and the Probate Code related to the provision of guardianship services in Texas. The bill would transfer responsibility for guardianship services from DFPS to the Department of Aging and Disability Services (DADS), consistent with current practice. (DADS currently operates the guardianship program via interagency contract with DFPS).

Methodology

ARTICLE 1. CHILD PROTECTIVE SERVICES

Section 1.15. DFPS indicates that 41 additional FTEs would be needed to screen out reports of child abuse and neglect that do not warrant a full investigation. The total cost would be \$2.5 million in 2006 and \$2.3 million each following year. **Section 1.21.** It is assumed that the agency would need 20 additional FTEs (total salary = \$0.8 million per year) to provide regional forensic investigation support. The total cost would be \$1.4 million in 2006 and \$1.3 million each following year.

Section 1.24. It is assumed that the state would pay the anticipated cost of \$41 to perform a background and criminal history check on each adult in prospective substitute caregiver families. The total cost would be \$0.6 million rising to \$0.8 million in 2010. It is also assumed that additional workers would be needed to perform home studies: 21.6 FTEs in 2006 rising to 30.8 FTEs in 2010. The total cost would be \$1.8 million in 2006 rising to \$2.4 million in 2010. The estimate is based on the agency's direct delivery staffing model that includes one supervisor for every 7 caseworkers, one clerk for every 6 caseworkers, and one attorney for every 30 caseworkers.

Section 1.30. There would be multiple fiscal impacts for this section that would privatize certain child welfare functions. For the section as a whole: total savings would be \$22.4 million in 2007 rising to \$125.8 million in 2010; total costs would be \$2.1 million in 2006 rising to \$182.7 million in 2010. FTE reductions would be 362 in 2007 rising to 2,069 in 2010. FTE increases would be 11 each year.

Substitute Care Services. DFPS indicates that the transition to a regional independent administrator and privatization of substitute care services in the first designated area of the state would begin in fiscal year 2007 with a completion date of December 31, 2006. The agency also indicates that the statewide transition would be completed in August 2009. The agency assumes that 20 percent of the caseload would be privatized during the first transition period with a continuous rollout in subsequent years. The agency estimates that it would save 66 FTEs in 2007, 106 FTEs in 2008, 287 FTEs in 2009, and 379 FTEs each following year. It is assumed that the transition would be cost neutral. The total amount transferred to private providers would equal \$3.4 million in 2007, \$5.2 million in 2008, \$14.3 million in 2009, and \$18.9 million each following year. Fringe benefit amounts totaling \$0.6 million in 2007 and rising to \$3.5 million in 2010 are included in this estimate. Fringe benefit appropriations would move from the Comptroller's Office and the Employees Retirement System to DFPS.

Case Management Services. DFPS indicates that the transition to a regional independent administrator and privatization of case management services in the first designated area of the state would begin in fiscal year 2007 with a completion date of December 31, 2006. The agency also indicates that the statewide transition would be completed in August 2009. The agency assumes that 20 percent of the caseload would be privatized during the first transition period with a continuous rollout in subsequent years. The agency estimates that it would save 296 FTEs in 2007, 469 FTEs in 2008, 1,277 FTEs in 2009, and 1,690 FTEs each following year. It is assumed that the transition would be cost neutral. The total amount transferred to private providers would equal \$15.3 million in 2007, \$23.9 million in 2008, \$65.0 million in 2009, and \$86.0 million each following year. Fringe benefit amounts totaling \$2.8 million in 2007 and rising to \$16.2 million in 2010 are included in this

estimate. Fringe benefit appropriations would move from the Comptroller's Office and the Employees Retirement System to DFPS.

Regional Independent Administrator Services. DFPS indicates that it would pay regional independent administrators a fee equaling 4 percent of the total cost for foster care payments, substitute care and case management services, foster day care services, and other purchased services. It is estimated that the total amount paid to regional independent administrators would be \$16.0 million in 2007, \$16.8 million in 2008, \$17.6 million in 2009, and \$18.5 million in 2010.

Child Placing Agency (CPA) Rate Differential. It is assumed that foster care payments would rise as more than 5,000 foster children (FTEs) move from DFPS to privately managed foster care settings. This is because foster care rates are higher for privately managed foster care services. The total increase would be \$16.3 million in 2007, \$32.5 million in 2008, \$35.1 million in 2009, and \$37.9 million in 2010. This estimate is based on agency projections.

Foster Day Care Purchased Services. It is assumed that foster day care purchased services dollars would transfer to private contractors on a cost-neutral basis throughout the transition period. The total amount transferred would be \$1.0 million in 2007, \$1.5 million in 2008, \$4.2 million in 2009, and \$5.5 million in 2010.

Other Purchased Services. It is assumed that other purchased services dollars would transfer to private contractors on a cost-neutral basis through the transition period. The total amount transferred would be \$2.7 million in 2007, \$4.3 million in 2008, \$11.6 million in 2009, and \$15.3 million in 2010.

Residential Child Care Licensing Staff. DFPS has indicated that ten additional FTEs would be needed to provide adequate regulatory oversight of the expanded private system of residential child care services and to maintain a ratio of one monitoring worker for every 20 licensees. The total cost would be \$0.5 million each year.

Information Technology Projects. DFPS has indicated that modifications to existing automated systems would be needed to develop secure interfaces with external providers. The total cost to modify the IMPACT automated system would be \$1.6 million. This cost would be incurred during fiscal year 2006.

Section 1.31. The agency estimates that it would cost \$1,700 to purchase one videophone per investigation unit to facilitate participation in court proceedings. The total cost would be \$0.1 million in 2006 and \$0.8 million in 2007. **Sections 1.33 through 1.36.** The agency indicates that it would need additional staff to manage the procurement process associated with privatization of child welfare functions, evaluate performance, monitor service quality, and perform other oversight activities. This includes 8.5 FTEs in 2006 (total salary = \$0.4 million) rising to 184 FTEs in 2010 (total salary = \$7.5 million). The total cost would be \$1.7 million in 2006 rising to \$12.2 million in 2010.

Section 1.37. It is assumed that 25% of children entering foster care (3,921 in fiscal year 2006 and 4,234 each following year) would require a full screening for developmental disabilities and mental retardation, with an estimated cost per screen of \$140. It is also assumed that the Federal Medical Assistance Percentage (FMAP) would apply. The total cost would be \$0.5 million in 2006 and \$0.6 million each following year.

Section 1.44. There would be multiple fiscal impacts for this section that would establish a relative caregiver placement program. For the section as a whole: the total cost would be \$7.8 million in 2006 rising to \$34.8 million in 2010; the total savings would be \$2.6 million in 2006 rising to \$7.0 million in 2010.

It is assumed that the relative caregiver placement program would be implemented on March 1, 2006. It would serve 3,849 children in 2006, 8,314 children in 2007, and grow by 8 percent each following year. Eighty-six percent of the participants would be eligible for the one-time \$1,000 per-family stipend (total cost = \$2.1 million in 2006 rising to \$5.7 million in 2010). The disruption rate (participants returning to DFPS paid foster care) would be 9.5 percent, and 86 percent of the net number of participants who remain would be eligible for a one-time \$500 flexible benefit (total cost =

\$1.5 million in 2006 rising to \$4.1 million in 2010).

Twenty-five percent of the families would receive five hours of counseling costing \$60 per hour (total cost = \$0.2 million in 2006 rising to \$0.5 million in 2010). Forty-three percent of the children would use day care services costing \$18.20 per day (total cost = \$2.1 million in 2006 rising to \$19.9 million in 2010). Training costs would also be incurred during the first year of the program.

DFPS indicates that additional staff would be needed to implement the program. The estimate is based on the agency's direct delivery staffing model that assumes a hiring ratio of seven caseworkers per supervisor, six caseworkers per clerical employee, and 30 caseworkers per attorney. There would be 29.2 additional FTEs in 2006 (total salary = \$0.9 million); 70.9 in 2007 (total salary = \$2.0 million); 77.5 in 2008 (total salary = \$2.2 million); 83.0 in 2009 (total salary = \$2.4 million); and 89.6 in 2010 (total salary = \$2.5 million). Fringe benefit costs would rise from \$0.3 million in 2006 to \$0.8 million in 2010. The estimate also includes costs for travel, computers, telecommunications equipment and other operating expenses.

It is assumed that the program would reduce the disruption rate of relative placements from the current rate of 18.5 percent to 9.5 percent. Foster care savings are calculated by estimating the cost of foster care with and without the program. Total savings would rise from \$2.6 million in 2006 to \$7.0 million in 2010.

Section 1.45. The Health and Human Services Commission (HHSC) indicates that 2.5 FTEs (total salary = \$0.1 million) and \$0.2 million for technology would be needed in 2006 to develop the health and educational passport systems for foster children. The commission also indicates that 0.5 FTE and \$0.1 million would be needed each following year to maintain the system. The total cost for this activity would be \$0.9 million in 2006 rising to \$3.1 million in 2010. DFPS estimates that it would cost \$0.5 million in 2006, \$3.8 million in 2007, and \$3.0 million each following year to develop, operate, and maintain the statewide telemedicine system.

Section 1.48. The State Auditor indicates that 5.9 FTEs (total salary = \$0.4 million) would be needed to perform the on-site financial audits of selected residential contractors. The total cost would be \$0.6 million per year. It is assumed that this amount would be appropriated directly to HHSC and that HHSC would reimburse the State Auditor via interagency contract. DFPS indicates that the cost to develop the internet-based system for residential contractors would be \$1.9 million.

Section 1.57. DFPS has indicated that the cost to implement a mobile technology project for current investigation caseworkers would be \$7.4 million in 2006 and \$3.7 million in subsequent years. It is assumed that the cost to modify the design of the agency's automated cases management system would be \$0.5 million in 2006.

Section 1.60. It is assumed that the agency would need 20 additional FTEs (total salary = \$0.7 million) in 2006 and 40 FTEs (total salary = \$1.4 million) each following year to improve the quality and consistency of training provided to caseworkers. It is also assumed that the agency would contract for enhancement of computer-based training (total cost = \$0.6 million) and purchase additional computer training and distance learning equipment (total cost = \$0.3 million). The total cost would be \$1.9 million per year.

Section 1.63. It is assumed that DFPS would need 141.8 FTEs in fiscal year 2006 and 189.0 FTEs each following year to implement a statewide caseworker replacement program. The total cost would be \$7.4 million in 2006 and \$9.8 million each following year. It is also assumed that DFPS would need an additional 326.3 FTEs per year (total salary = \$10.8 million) to strengthen the investigative function by providing one senior investigator for every four caseworkers. The total cost would be \$19.7 million in 2006 and \$18.3 million each following year.

Section 1.72. It is assumed that DFPS would need an additional 10.1 FTEs in fiscal year 2006, increasing to 12.3 FTEs in 2010 to conduct inspections of a random sample of agency homes. One time costs in fiscal year 2006 are assumed for technology and development of an exam for inspectors. Total costs would be \$0.6 million in 2006, \$0.4 million in 2007 and 2008 and \$0.5 million in 2009 and 2010.

The Office of the Attorney General anticipates that any legal work resulting from a stronger enforcement program could reasonably be absorbed within current resources. The State Office of Administrative Hearings does not anticipate a significant fiscal impact from the new enforcement procedures.

ARTICLE 2. ADULT PROTECTIVE SERVICES

Section 2.02 is estimated to cost \$80,000 in 2006 rising by approximately \$16,000 each following year to implement an incentive program to encourage certain department employees to obtain professional credentials in social work or psychology. This assumes 50 workers participating initially, with 10 additional participating each following year. The estimated cost per participant is \$1,600 per year – approximately 50 percent of costs for part-time (6 hour) enrollment per semester.

Section 2.03. DFPS indicates that additional FTEs would be needed to implement a comprehensive training program for adult protective services employees. The estimate includes nine FTEs in 2006 and 14 FTEs each following year. The total cost would be \$0.5 million in 2006 and \$0.7 million each following year.

ARTICLE 3. GUARDIANSHIP AND RELATED SERVICES

The Department of Aging and Disability Services (DADS) indicates that Article 3 would have no significant fiscal impact.

It is assumed that Temporary Assistance for Needy Families (TANF) Federal Funds would not be available to finance any of the activities mentioned above; therefore, General Revenue Funds are used in place of TANF Federal Funds (\$16.1 million in 2006 rising to \$42.3 million in 2010). It is also assumed that Child Care Development Fund (CCDF) Federal Funds would not be available; therefore, General Revenue Funds are used in place of CCDF Federal Funds (\$2.4 million in 2006 rising to \$20.2 million in 2010).

It is assumed that all remaining sections of the bill would have no significant fiscal impact.

Technology

The bill would require adjustments to information technology. Related fiscal impacts are detailed under the methodology section above.

Local Government Impact

Costs to implement the joint investigations guidelines and training (Section 1.14 of the bill) would not result in a significant fiscal impact to local law enforcement agencies.

Costs to county, district, or criminal district attorney's offices and local law enforcement agencies to implement Sections 1.17 or 1.18 of the bill would depend upon the number of cases of failure to cooperate with an investigation or interference with an investigation that are filed in a county.

It is assumed that local law enforcement agencies would comply with Section 1.23 of the bill only if the funds are available to co-locate with agencies that investigate child abuse.

Costs to district and county courts to expand the use of teleconferencing and videoconferencing technology would depend upon the system adopted by DFPS.

It is assumed that a local mental retardation authority or a provider of a county with a local child welfare board would comply with Section 1.37 of the bill only if the funds are available to assist DFPS with child developmental disability or mental retardation assessments.

Courts may see additional petitions and reviews related to medical care of a child in foster care if Section 1.45 of the bill is implemented.

Costs to local law enforcement to report to DFPS if children are present in a location where methamphetamine is manufactured are not expected to be significant.

Source Agencies: 116 Sunset Advisory Commission, 212 Office of Court Administration, Texas Judicial Council, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 320 Texas Workforce Commission, 360 State Office of Administrative Hearings, 405 Department of Public Safety, 529 Health and Human Services Commission, 530 Department of Family and Protective Services, 537 Department of State Health Services, 538 Department of Assistive and Rehabilitative Services, 539 Department of Aging and Disability Services, 701 Central Education Agency, 781 Higher Education Coordinating Board

LBB Staff: JOB, CL, BW, LR, PP, NM, KJG