LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 22, 2007

TO: Honorable Patrick M. Rose, Chair, House Committee on Human Services

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

IN RE: **HB2140** by Rose (Relating to child protective services.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2140, As Introduced: a negative impact of ($36,273,010) through the biennium ending August 31, 2009.

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
2008	($13,756,763)
2009	($22,516,247)
2010	($38,725,943)
2011	($40,992,483)
2012	($43,891,983)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from *GENERAL REVENUE FUND* 1	Probable Savings from *FEDERAL FUNDS* 555	Probable (Cost) from *GENERAL REVENUE FUND* 1	Probable (Cost) from *FEDERAL FUNDS* 555
2008	$3,691,607	$673,468	($17,448,370)	($3,523,715)
2009	$10,327,936	$1,876,274	($32,844,183)	($8,122,528)
2010	$28,647,731	$4,436,264	($67,373,674)	($15,156,003)
2011	$28,647,731	$4,436,264	($69,640,214)	($15,495,346)
2012	$28,647,731	$4,436,264	($72,539,714)	($15,944,001)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	(30.0)
2009	(125.0)
2010	(289.1)
2011	(283.1)
2012	(277.1)

Fiscal Analysis

Section 3 would amend Section 263.102, Family Code, to require the Department of Family and Protective Services (DFPS) to consult with relevant professionals when developing a service plan for a child under two years of age. The service plan must require therapeutic family visits between the child and the child's parents that are supervised by a licensed psychologist.

Section 5 would amend Section 264.106, Family Code, to remove the option of using an independent administrator to provide substitute care and case management services. It would also lower the requirement to privatize case management services from 100 percent to 10 percent of cases. And it would move the deadline to privatize all substitute care services from September 1, 2011 to September 1, 2009.

Section 6 would amend Section 264.1062, Family Code, to require DFPS to contract with private agencies to provide case management services in at least 10 percent of cases by September 1, 2009.

Section 12 would add Section 264.2011, Family Code, to require DFPS to develop a program to strengthen eligible families through enhanced in-home support. The program would provide limited funding to cover nonrecurring expenses.

Section 17 would add Section 42.0211, Human Resources Code, to require the residential child-care licensing division to employ at least one investigation safety specialist and one risk analyst to perform certain duties. It would also require a performance management unit to conduct quality assurance reviews and make recommendations for improving the quality and consistency of monitoring and investigations.

Section 19 would amend Section 42.044, Human Resources Code, to require that a team of two or more residential child-care monitoring staff conduct at least one of the unannounced annual inspections of a residential child-care facility. It would also require DFPS to (a) investigate serious incident reports involving a child under the age of six living in an agency foster home or foster group home (b) investigate alleged violations of minimum standards that pose a high degree of risk to a child under the age of six living in an agency foster home or foster group home and (c) conduct at least one annual enforcement team conference for each child-placing agency.

Section 23 would amend Section 45.004, Human Resources Code, to remove the option of using independent administrators to provide substitute care and case management services. **Section 26** would amend Section 45.054, Human Resources Code, to eliminate the requirement for an independent third-party evaluation of the privatization of substitute care services. It would also move the requirement for an independent evaluation of the privatization of case management services back one year (to the second anniversary of the first contract) and require submission of the evaluation report by September 1, 2011.

Section 28 would require DFPS to develop and implement a child protective services improvement plan that includes specific elements, such as expanding the use of family group decision making and reducing caseloads for family-based safety service workers. Many of these elements are in the agency's exceptional items funding request for 2008-09.

Section 29 would require DFPS to submit a detailed implementation plan for the child protective services improvement plan, and for the continuation of all child protective services reform activities, by December 31, 2007. It would also require the agency to submit annual progress reports that include estimated cost savings, beginning on August 31, 2008. The plan and progress reports would be submitted to the Governor, Lieutenant Governor, Speaker of the House, appropriate legislative oversight committees, Legislative Budget Board, and State Auditor.

The bill would be effective on September 1, 2007.

Methodology

Section 3. DFPS indicates that $3.0 million per year would be needed to pay the anticipated cost for therapeutic family visits supervised by a licensed psychologist. The estimate is based on the following assumptions - serve children under two years of age who are not in the agency's permanent managing conservatorship; conduct six one-hour visits per family per year; and pay $83.70 per hour. DFPS also indicates that 3 FTEs would be needed to handle the additional workload associated with procuring treatment services from licensed psychologists. The cost for the new staff would be $0.3 million per year. The total annual cost of $3.3 million would be financed with General Revenue Funds and a small amount of federal entitlement revenue.

Section 5. DFPS indicates that the requirement to privatize all substitute care services by September 1, 2009, would cost $6.8 million in fiscal year 2008, $15.9 million in fiscal year 2009, $21.3 million in fiscal year 2010, $21.7 million in fiscal year 2011, and $22.1 million in fiscal year 2012. These costs would be financed with General Revenue Funds and federal entitlement revenue. The cost estimate assumes the agency would (a) pay more to purchase foster care and adoption services from private child-placing agencies (b) need additional staff to manage contracts and monitor residential child care services and (c) phase-out the foster and adoptive home development program.

The agency assumes that all foster care and adoption services would be privatized over a 24-month transition period beginning on September 1, 2007. The cost would be $8.4 million in fiscal year 2008, $25.4 million in fiscal year 2009, $33.4 million in fiscal year 2010, $33.8 million in fiscal year 2011, and $34.2 million in fiscal year 2012. About 75 percent of the cost would be for foster care services. The agency indicates that 23 FTEs would be needed to handle the workload associated with procuring and monitoring the services. The cost for the new staff would be about $1.5 million per year. The agency estimates that phasing out the foster care and adoptive home development program would save $3.1 million and 112 FTEs in fiscal year 2008; $11.0 million and 240 FTEs in fiscal year 2009; and $13.6 million and 240 FTEs in fiscal year 2010 and beyond.

Section 6. DFPS indicates that the requirement to privatize 10 percent of case management services starting on September 1, 2009, would cost $0.2 million in fiscal year 2009, $15.5 million in fiscal year 2010, $15.5 million in fiscal year 2010, $17.7 million in fiscal year 2011, and $20.6 million in fiscal year 2012. These costs would be financed with General Revenue Funds and federal entitlement revenue. The cost estimate assumes the agency would (a) pay more to purchase case management services due an increase over baseline costs of 11 percent for service improvements, 10 percent for contractor administrative costs, and 5 percent for contractor profit/overhead; (b) need additional staff to provide court liaison services, manage contracts, and handle additional reporting requirements; and (c) phase-out 10 percent of current direct delivery staff and purchased services.

The agency estimates that the cost to purchase case management services would be $27.3 million in fiscal year 2010, $29.6 million in fiscal year 2011, and $32.0 million in fiscal year 2012 (the cost would rise due to caseload increases). The agency indicates that it would need 5 FTEs in fiscal year 2009, 84 FTEs in fiscal year 2010, 90 FTEs in fiscal year 2011, and 96 FTEs in fiscal year 2012 to handle the additional workload associated with court liaison services, contract management, and management reporting. The cost would be $0.2 million in fiscal year 2009 rising to $7.0 million in fiscal year 2012. Nearly 95 percent of the cost would be for court liaison staff. The agency estimates that phasing out 10 percent of current direct delivery staff and purchased services would save $18.3 million and 243.1 FTEs per year starting in fiscal year 2010.

Section 12. DFPS has indicated that it would cost $4.8 million per year to provide enhanced in-home support services. It is assumed that the program would be financed with General Revenue Funds and start on January 1, 2008.

Section 17. DFPS has indicated that it would cost $1.8 million per year to hire 21 child risk analysts, investigation screeners, and quality assurance staff for the residential child-care licensing program. The cost would be financed with General Revenue Funds and federal entitlement revenue. It is assumed that the program would start on January 1, 2008.

Section 19. DFPS has indicated that it would need $4.1 million and 63 FTEs per year to create functional units for the residential child-care licensing program. The cost would be financed with General Revenue Funds and federal entitlement revenue. It is assumed that the program would start on January 1, 2008.

Sections 23 and 26. It is assumed that there would be an annual savings of $1.2 million in General Revenue Funds and federal entitlement revenue due to removing the option of using independent administrators, and eliminating the requirement for an independent third-party evaluation of substitute care services.

Local Government Impact

It is assumed that a local law enforcement agency would enter into a contract with the Department of Family and Protective Services to provide investigation forensic support, assessment assistance, and/or intervention activities only if the resources are available.

Source Agencies: 308 State Auditor's Office, 473 Public Utility Commission of Texas, 529 Health and Human Services Commission, 530 Family and Protective Services, Department of, 538 Assistive and Rehabilitative Services, Department of

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