LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 15, 2007

TO: Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

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

IN RE: **SB758** by Nelson (Relating to child protective services.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB758, Committee Report 1st House, Substituted: a negative impact of ($31,863,956) 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	($11,428,651)
2009	($20,435,305)
2010	($36,645,002)
2011	($38,911,542)
2012	($41,811,042)

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	($15,120,258)	($5,037,884)
2009	$10,327,936	$1,876,274	($30,763,241)	($9,715,456)
2010	$28,647,731	$4,436,264	($65,292,733)	($16,748,931)
2011	$28,647,731	$4,436,264	($67,559,273)	($17,088,274)
2012	$28,647,731	$4,436,264	($70,458,773)	($17,536,929)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	(33.0)
2009	(128.0)
2010	(292.1)
2011	(286.1)
2012	(280.1)

Fiscal Analysis

Section 1 would amend Section 162.304, Family Code, to require the Executive Commissioner of Health and Human Services to adopt rules providing that the maximum adoption subsidy payment for a child who would have remained in paid foster care through age 17 is equal to the amount that would have been paid to the foster parent based on the child's service level when the adoption assistance agreement was finalized. It would also limit the maximum adoption subsidy payment to the minimum amount paid to a foster parent for the child's service level.

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 may require therapeutic family visits between the child and the child's parents that are supervised by a licensed psychologist or another relevant professional.

Section 7 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 lower the requirement to privatize case management services from 100 percent to 10 percent of cases, and require DFPS to develop a pilot program for the competitive procurement of these services. It would also move the deadline to privatize all substitute care services from September 1, 2011 to September 1, 2009.

Section 11 would amend Section 264.113, Family Code, to require DFPS to work with OneStar Foundation to expand the faith-based foster parent recruitment program. It would also permit the foundation to provide training and technical assistance to establish networks and services in faith-based organizations.

Section 13 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 non-recurring expenses.

Section 18 would add Section 40.0326, Human Resources Code, to prohibit DFPS from employing a person who does not have a bachelor's degree or advanced degree in certain academic areas as a caseworker unless there are other exceptional qualifications. The provision would only apply to caseworkers hired on or after the effective date of the bill.

Section 21 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 23 would amend Section 42.042, Human Resources Code, to allow residential child-care facilities that provide emergency services to temporarily exceed their capacity for up to 48 hours to care for a child in an emergency.

Section 24 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 residential child-care facilities. It would also require DFPS to (a) investigate serious incident reports involving a child under the age of six who lives 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 who lives 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 29 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 31** 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 two years (to the second anniversary of the first contract under the pilot program) and require submission of the evaluation report by September 1, 2012.

Section 33 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 34 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

Maximum Adoption Subsidy Payment. DFPS indicates that setting the maximum adoption subsidy payment at the minimum amount paid to a foster parent for the service level of a child who would have remained in paid foster care through age 17 would be cost neutral (foster care savings would equal adoption subsidy costs).

Therapeutic Family Visits. DFPS estimates 5,885 children under the age of two would require six therapeutic visits supervised by a licensed psychologist per year. It is assumed that all of the children would be eligible for Medicaid and the cost per visit would be $76.92. The total annual cost of $2.7 million would be financed with General Revenue Funds (40%) and Federal Funds (60%). The cost may be lower if other relevant professionals are used.

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

DFPS assumes substitute care services would be privatized over a 24-month transition period beginning on September 1, 2007. The estimated cost would be $8.4 million for fiscal year 2008, $25.4 million for fiscal year 2009, $33.4 million for fiscal year 2010, $33.8 million for fiscal year 2011, and $34.2 million for fiscal year 2012. About 75 percent of the cost would be for foster care payments.

DPFS indicates 23 FTEs would be needed to procure and monitor privatized substitute care services. The estimated cost for the new staff would be about $1.5 million per year. The agency also estimates 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 subsequent years.

Case Management Services. DFPS estimates the total cost to privatize 10 percent of case management services starting on September 1, 2009, would be $0.2 million for fiscal year 2009, $15.5 million for fiscal year 2010, $17.7 million for fiscal year 2011, and $20.6 million for fiscal year 2012. This would be financed with General Revenue Funds and federal entitlement revenue.
The agency assumes it 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.

DFPS estimates the cost to purchase case management services would be $27.3 million for fiscal year

2010, $29.6 million for fiscal year 2011, and $32.0 million for fiscal year 2012 (the cost would rise due to caseload increases). The agency estimates the savings due to phasing out direct delivery staff and purchased services would be $18.3 million and 243.1 FTEs per year starting in fiscal year 2010.

DFPS estimates 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 would be needed to handle additional workload associated with court liaison services, contract management, and management reporting. The cost for the new staff would be $0.2 million for fiscal year 2009 rising to $7.0 million for fiscal year 2012. Nearly 95 percent of the cost would be for court liaison staff.

Foster Parent Recruitment Program. DFPS indicates that any costs associated with working with OneStar Foundation to expand the faith-based foster parent recruitment program could be absorbed within current resources.

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

CPS Caseworker Degree Requirements. DFPS has estimated no significant fiscal impact from this provision since the agency is still authorized to hire any person they determine to be qualified.

Residential Child-care Licensing Staff. DFPS has estimated 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 the program would start on January 1, 2008.

Temporary Emergency Services. It is assumed there would be no significant fiscal impact from the provision allowing residential child-care facilities to temporarily exceed their capacity for up to 48 hours to care for a child in an emergency.

Residential Child-care Licensing Functional Units. DFPS has estimated 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 the program would start on January 1, 2008.

Independent Administrator/Evaluator. It is assumed 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.

Total Cost. The total estimated cost to implement the provisions of the bill is $15.8 million All Funds ($11.4 million General Revenue) for fiscal year 2008, $28.3 million All Funds ($20.4 million General Revenue) for fiscal year 2009, $49.0 million All Funds ($36.6 million General Revenue) for fiscal year 2010, $51.6 million All Funds ($38.9 million General Revenue) for fiscal year 2011, and $54.9 million All Funds ($41.8 million General Revenue) for fiscal year 2012.

Technology

No significant technology impact is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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, KJG, NM, CL, PP