

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** HB2407

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Adams, L.R.

3. **Committee:** Health, Welfare and Institutions

4. **Title:** Permanent foster care; eligibility.

5. **Summary:** Allows local departments of social services and licensed child-placing agencies to place in permanent foster care, pursuant to a court order, a child who is 14 years of age or older but less than 16 years of age and who objected to the termination of residual parental rights, provided that no less restrictive alternative is available and the permanent foster care placement is in the best interest of the child. Under current law, a child must be 16 years of age or older in order to be placed in permanent foster care.

6. **Budget Amendment Necessary:** Yes.

7. **Fiscal Impact Estimates:** See Item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019	-	-
2020	519,560	general
2021	519,560	general
2022	519,560	general
2023	519,560	general
2024	519,560	general
2025	519,560	general

*Additionally, \$430,640 in local match is required for this population annually.

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019	-	-
2020	(\$950,200)	Federal
2021	(\$950,200)	Federal
2022	(\$950,200)	Federal
2023	(\$950,200)	Federal
2024	(\$950,200)	Federal
2025	(\$950,200)	Federal

- 8. Fiscal Implications:** This legislation allows children between the ages of 14 and 16, who have objected to the termination of their parents' rights, to be placed in permanent foster care placements. Currently, state and federal law and foster care guidance only permit permanent foster care placement for children 16 years of age and older.

The placement of children between the ages of 14 and 16 into permanent foster care will make those cases ineligible for federal funding [42 U.S. Code 675 (5) (C) (i)]. The Department of Social Services (DSS) has approximately 50 IV-E foster care placements that fall into this category. The agency currently receives 50 percent federal financial participation (FFP) to fund the foster care maintenance costs for these youth. However, as a result of this legislation, the federal government will no longer contribute the FFP rate, which will require the state and local governments to fund the difference. Once youth lose IV-E eligibility, they become state placements and their cases are overseen by the Office of Children's Services (OCS).

In FY 2018, the average annual IV-E foster care maintenance payment was \$24,608 and was funded with 50 percent federal dollars and 50 percent state dollars. The total cost for these 50 youth was \$1,230,400 ($50 \times \$24,608$) funded by \$615,200 federal funds and \$615,200 general fund.

As previously stated, by moving these placements to OCS, the state and localities will be required to also fund the portion previously paid by federal funding. For state foster care placements, the state funds 65 percent of the costs and the localities fund 35 percent. Therefore, the general fund expense to OCS for these 50 new state cases will be \$799,760 ($.65 \times \$1,230,400$) with a local match of \$430,640 ($.35 \times \$1,230,400$). It is assumed that \$615,200 in general fund from DSS can be transferred to OCS to help offset the cost for these new state cases. An additional \$184,560 ($\$799,760 - \$615,200$) in general fund appropriation will be necessary for OCS to fully fund the foster care maintenance payments for this population.

Furthermore, as the youth shift from IV-E to state placement, the IV-E penetration rate will decrease. The penetration rate is the percent of children in foster care who are reimbursed by federal funds; this rate is used to determine how much of the administrative work and overhead related to the foster care cases can receive federal IV-E reimbursement. In FY 2018, administrative expenditures for foster care totaled \$67 million. A shift of 50 youth will decrease the penetration rate by approximately 1 percentage point, which equates to a reduction in reimbursable IV-E administrative expenditures of \$670,000 ($\$67 \text{ million} \times 1\%$). With a 50 percent match rate, the loss in federal IV-E funds is estimated at \$335,000 ($\$670,000 \times .5$). General fund dollars will be needed to cover the loss of the federal portion of the administration and case management for these youths.

As a result of this legislation, \$950,200 of federal IV-E funding will be lost. In addition, \$519,650 of general fund and \$430,640 of local match will be required to replace the federal funding annually. Furthermore, allowing permanent foster care placement of children between the ages of 14 and 16 places the state into non-compliance with federal IV-E

regulations for foster care and may subject the state to federal penalties ranging from a program improvement plan to a loss of title IV-E funding for foster care services.

Fund Source	DSS IV-E FC Maintenance	OCS State FC Maintenance	DSS Case Management	Total
Federal Funds	\$ (615,200)	\$ -	\$ (335,000)	\$ (950,200)
General Fund	\$ (615,200)	\$ 799,760	\$ 335,000	\$ 519,560
Local Match	\$ -	\$ 430,640	\$ -	\$ 430,640
Total Cost	\$ (1,230,400)	\$ 1,230,400	\$ -	\$ -

9. Specific Agency or Political Subdivisions Affected: Department of Social Services, Local Departments of Social Services, Office of Children's Services

10. Technical Amendment Necessary: None

11. Other Comments: