

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill requires the Department of Health and Human Services to increase rates recommended in the Foster Care Reimbursement Rate Committee report dated June 22, 2020.

The recommended rate increases for foster care in the report are 2.55% in FY 22 and 2.17% in FY 23. The increases in the report continue thru FY 2025. The costs in FY 2022 are \$1,127,541 (\$1,068,270 GF and \$59,244 FF). In FY 2023, the costs would be \$2,174,730 (\$2,059,384 GF and \$115,346 FF).

Additional programs that are tied to foster care rates are Bridge to Independence, adoption subsidies and guardianship subsidies. Although tied to foster care rates, those rates are not required to be adjusted. It is a sound policy to keep them in line with foster care rates. If those rates increase by the same percent, there will be additional costs as shown in the table below:

	FY 22		
	General	Federal	Total
Bridge to Independence	56,431	17,592	74,023
Adoption Subsidies	459,394	479,753	939,147
Guardianship Subsidies	156,749	4,153	160,902
Total	672,574	501,498	1,174,072
	FY 23		
	General	Federal	Total
Bridge to Independence	102,762	32,036	134,798
Adoption Subsidies	836,574	873,648	1,710,222
Guardianship Subsidies	285,446	7,563	293,009
Total	1,224,782	913,247	2,138,029

The department indicates additional funding for modifications to the NFOCUS system would be needed in FY 2022 at a cost of \$4,524 (\$2,262 GF and FF). Prior rate adjustments were done without additional support provided. The agency has frequent need to update/modify computer systems and there is base level funding in their budget which supports this.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	495	AM:	AGENCY/POLT. SUB: Nebraska Department of Health and Human Services	
REVIEWED BY:	Ann Linneman	DATE:	1-27-2021	PHONE: (402) 471-4180
COMMENTS: The Nebraska Department of Health and Human Services' analysis and estimate of fiscal impact to the department appears reasonable.				

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared 1-26-2021

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	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$ 1,743,106		\$ 3,284,166	
CASH FUNDS				
FEDERAL FUNDS	\$ 563,004		\$ 1,028,594	
OTHER FUNDS				
TOTAL FUNDS	\$ 2,306,110	\$ 0	\$ 4,312,760	\$ 0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 495 would require the Department of Health and Human Services to increase reimbursement rates to foster parents and contracted foster care providers as recommended by the Foster Care Reimbursement Rate Committee. The recommended reimbursement rates will change incrementally in a step up increase over four years starting in SFY 2022.

Costs for Foster Care payments, Bridge to Independence benefits, Adoption subsidies and Guardianship subsidies will increase by 2.55% in SFY 2022, and an additional 2.17% in SFY 2023. This annual increase will happen until SFY 2025 and will bring the rates to the levels identified in the report.

The increase for SFY 2022 for Foster Care will be \$1,127,514. Federal funds of \$59,244 can be used for IV-E eligible costs. State funds will be used for \$1,068,270. The increase for SFY 2023 would be \$2,174,730 higher than current payments. Federal funds can be used for \$115,346 and state funds will be used for \$2,059,384.

The increase in Bridge to Independence benefits will be \$74,023 in SFY 2022. Federal funds can be used for \$17,592 and state funds will be used for \$56,431. The increase for SFY 2023 will be \$134,798 higher than current payments. Federal funds can be used for \$32,036 and state funds will be used for \$102,762.

Adoption subsidies will increase by \$939,147 in SFY 2022. Federal funds can be used for \$479,753 and state funds will be used for \$459,394. The increase for SFY 2023 will be \$1,710,222 higher than current payments. Federal funds can be used for \$873,648 and state funds will be used for \$836,574.

Guardianship subsidies will increase by \$160,902 in SFY 2022. Federal funds can be used for \$4,153 and state funds will be used for \$156,749. The increase in SFY 2023 will be \$293,009. Federal funds can be used for \$7,563 and state funds will be used for \$285,446.

The Department would require NFocus system modifications. Service costs for system updates include 45 hours for a Technical Analyst at \$85 per hour and 20 hours for a Business Analyst at \$35 per hour. Fifty percent of the \$4524 service cost, \$2,262, can be a paid with federal funds, the remaining \$2,262 will be paid with state funds.

Impact by SFY 2025

The Department estimates 569,491 days of foster care benefits currently paid at the Essential rate average of \$23.58 per day would increase to an average of \$26.02 per day by SFY 2025; 242,656 days of foster care benefits currently paid at the Enhanced rate average of \$31.38 would increase to an average of \$33.52 per day; and 88,968 days of foster care benefits currently receiving the Intensive rate of \$39.19 per day would increase to an average of \$41.35 per day. Additionally, 9,743 days of foster care benefits would be eligible for the specialized 4th tier rate of \$81.51 per day. The amount to foster parents would increase by \$2,135,214 in SFY 2025.

The proposed rates for the foster care providers will also increase. The Department estimates a total of 633,487 days of paid foster care provider support and the average rate increasing approximately \$3.52 per day. The Essential rate of \$22.64 per day will increase to \$26.92; the Enhanced rate of \$29.30 per day will increase to \$32.16; and the Intensive rate of \$40.33 per day will increase to \$41.73. The new specialized rate for a 4th tier will be \$78.95 per day. The amount to foster care providers would be \$2,231,729.

Approximately \$231,650 of federal funds can be used for foster care parent and provider payments in SFY 2025. State funds would be used for \$4,135,293.

The new rate changes will increase payments to extended foster care Bridge to Independence recipients. The payment will increase a total of \$260,776. The federal funds used will be approximately \$61,976 in SFY 2025. State funds would be \$198,800 in SFY 2025.

Adoption and Guardian subsidy payments will be adjusted to the new foster care rate structure. By SFY 2025, the Adoption subsidy will increase \$3,308,530. Approximately 88.4% of the increased costs are IV-E eligible. The increased amount of \$3,308,530 can be paid with \$1,690,126 of federal funds and \$1,618,404 in state funds in SFY 2025. The Guardianship subsidy will increase \$566,845. Approximately 4.47% of the costs are IV-E eligible. The increased amount of \$566,845 can be paid with \$14,632 of federal funds and \$552,213 of state funds in SFY 2025.

This table demonstrates the increases each year above the current year expenses.

	SFY 2022			SFY 2023			SFY 2024			SFY 2025		
	General	Federal	Total	General	Federal	Total	General	Federal	Total	General	Federal	Total
Child Welfare												
Foster Care Rates	\$1,068,270	\$59,244	\$1,127,514	\$2,059,384	\$115,346	\$2,174,730	\$3,080,461	\$172,602	\$3,253,063	\$4,135,293	\$231,650	\$4,366,943
Adoption Rates	\$459,394	\$479,753	\$939,147	\$836,574	\$873,648	\$1,710,222	\$1,221,997	\$1,276,152	\$2,498,148	\$1,618,404	\$1,690,126	\$3,308,530
Guardianship Rates	\$156,749	\$4,153	\$160,902	\$285,446	\$7,563	\$293,009	\$416,955	\$11,048	\$428,003	\$552,213	\$14,632	\$566,845
Total Program 354	\$1,684,413	\$543,150	\$2,227,563	\$3,181,404	\$996,558	\$4,177,962	\$4,719,413	\$1,459,802	\$6,179,215	\$6,305,909	\$1,936,408	\$8,242,317
Bridge to Independence												
B2i Stipend Rates	\$56,431	\$17,592	\$74,023	\$102,762	\$32,036	\$134,798	\$150,106	\$46,796	\$196,902	\$198,800	\$61,976	\$260,776
Total Program 359	\$56,431	\$17,592	\$74,023	\$102,762	\$32,036	\$134,798	\$150,106	\$46,796	\$196,902	\$198,800	\$61,976	\$260,776

DHHS will be required to complete a major rule and regulation change as a result of LB 495.

Title	Hours	Hourly Cost	Absorbed Cost
Director	4	\$ 74.28	\$ 297
Deputy Director	4	\$ 53.48	\$ 214
Administrator I	4	\$ 30.82	\$ 123
Program Specialist	8	\$ 22.52	\$ 180
Program Analyst	16	\$ 21.91	\$ 351
Attorney III	30	\$ 33.82	\$ 1,015
Total Costs	66		\$ 2,180

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2021-2022 EXPENDITURES	2022-2023 EXPENDITURES
		21-22	22-23		
Benefits.....					
Operating.....				\$	4,524
Travel.....					

Capital Outlay.....
Aid.....
Capital Improvements.....
TOTAL.....

	\$ 2,301,586	\$4,312,760
	\$ 2,306,110	\$ 4,312,760
