



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5562 (Substitute S-2 as reported)
Sponsor: Representative Earl Poleski
House Committee: Appropriations
Senate Committee: Appropriations

CONTENT

The bill would amend the Social Welfare Act to require the Department of Health and Human Services (DHHS) to continue paying the county cost share provided by private foster care providers until September 30, 2017. Under current law, the DHHS is responsible for 100% of the following until September 30, 2016: 1) a \$3 increase in the administrative rate for existing and new foster care cases; 2) the administrative rate for new foster care cases; and 3) the costs of the rate increase that is provided to residential foster care providers.

First, the bill would amend the subsection that requires the DHHS to pay 100% of an increase in the administrative rate. Under the bill, the payment requirement would change from the current \$3 rate increase to an \$8 rate increase, and the sunset would be delayed until September 30, 2017. (For the purpose of this requirement, "foster care" means 24-hour substitute care for children placed away from their parents or guardians, as a result of a court order under MCL 712A.2(b) (neglect and abuse cases), in placements supervised by the Department or a private child placing agency under contract with the DHHS for foster care services.)

Second, concerning the requirement that the DHHS pay 100% of the administrative rate for foster care cases, the bill would delete language that makes this requirement "subject to appropriations", as well as language under which the requirement applies to foster care cases established after October 1, 2013, until September 30, 2016. Instead, the bill would require the Department to pay 100% of the administrative rate for all cases until September 30, 2017.

Finally, concerning the requirement that the DHHS pay 100% of any rate increase to providers of residential foster care, the bill would delay the sunset until September 30, 2017, and would delete language that makes the requirement "subject to appropriations".

MCL 400.177a

FISCAL IMPACT

The bill would result in a cost to the State and savings to county governments. By delaying the sunset provisions until September 30, 2017, and raising the administrative rate to \$8 per day, the bill would require the DHHS to continue to make payments in FY 2016-17, with a total estimated cost to the State of \$15.5 million Gross (\$13.8 million GF/GP). The annual cost to the State is broken into the following categories:

- \$8 administrative rate increase: \$8.0 million (Gross and GF/GP)
- Administrative rate for new foster cases: \$6.0 million Gross (\$4.4 million GF/GP)

-- Private residential foster care services rate increase: \$1.5 million Gross (\$1.4 million GF/GP)

Counties would realize a reduction in Child Care Fund spending equal to the increase in State spending.

Date Completed: 6-9-16

Fiscal Analyst: John P. Maxwell

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.