# Legislative Analysis

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**CHILD CARE FUND REVISIONS**

**Senate Bills 529 and 530 as passed the Senate**
**Sponsor: Sen. Peter MacGregor**
**House Committee: Families, Children, and Seniors**
**Senate Committee: Oversight**
**Complete to 11-30-17**

**SUMMARY:**

**Senate Bill 529** would amend provisions of the Social Welfare Act related to the Child Care Fund to do the following:

- Allow the Department of Health and Human Services (DHHS) or a county to appeal a determination regarding reimbursement of a child care cost. The appeal would be conducted according to the Administrative Procedures Act. An appeal from a final order of an administrative hearing would be made to the circuit court for Ingham County.
- Prohibit the DHHS or a county from seeking reimbursement of expenditures unless the expenditures were made under an approved plan and budget or according to DHHS policy.
- Require counties to use and make available to the DHHS, upon request, evidence of compliance with certain parameters with regard to Child Care Fund reimbursable claims. Specifically, donated funds could be deposited into the county child care fund and are not subject to offset if either of the following applies:
    - The donor is not the intended recipient of a contract to be funded by the funds, or
    - The donor is the intended recipient of a contract to be funded by the funds and he or she is able to document the source of the money comprising the funds.
- Specify that the following conditions apply to requests for reimbursement of expenditures from the county's donated funds program:
    - The county must identify the donor of the funds and certify that he or she is either not the recipient of a funded contract or that he or she is the recipient of a funded contract and has documented the source of the money comprising the donated funds.
    - Donated funds must be identified by donor, by source of money comprising the funds, by date the money was provided to the donor, and by date the funds were deposited into the county Child Care Fund.
    - The county must ensure transparency relating to service delivery by donor-funded providers. The county must also ensure that donor-funded providers complete annual certification of fund eligibility and make available to DHHS the solicitation, evaluation, and selection process of awarding a contract to a donor-funded provider.

The bill also would repeal Section 117d, which requires certain factors to be considered in allocating state funds to a county juvenile justice services program.

MCL 400.117c, 400.117d (repealed), and 400.117h (proposed)

**Senate Bill 530** would amend the Social Welfare Act to provide for the distribution of appropriations for children in the juvenile justice system as follows:

- Expenditures for children placed with the DHHS would have to be paid by the DHHS and reimbursed by the county for all undisputed charges. Implementation would be effective on October 1 of the fiscal year following the appropriation to support new payment processes and technical changes to statewide automated welfare information system.
- Expenditures for children not placed with the DHHS would have to be paid by a county and reimbursed by the DHHS for all undisputed charges.

The bill also specifies that expenditures for children not placed with the DHHS could include direct expenditures for out-of-home care, administrative or indirect expenditures for out-of-home care, direct expenditures for in-home care, and administrative or indirect expenditures for in-home care. The bill identifies items that direct expenditures could include, depending on whether they were for in-home or out-of-home care. Also, for out-of-home care, the bill provides that an administrative or indirect cost payment equal to 10 percent of a county's monthly gross expenditures would be automatically distributed to the county on a monthly basis.

The bill would also change distribution requirements by: deleting a provision under which a distribution to a county may be reduced by the amount of uncontested liability; providing that a reduction in the amount distributed to a county under certain circumstances would be subject to the county's approval; requiring a distribution of funding for the allowed purposes unless accessible and available by other public assistance programs necessary to achieve goals and outcomes for in-home or out-of-home care; requiring requests for payments to be submitted within 1 calendar year from the date of service, and any submitted after 1 year to be subject to approval by a county or the DHHS; and exempting a county and the DHHS from offset, chargeback, and reimbursement liability under certain circumstances.

MCL 400.117a

**Senate Bills 529 and 530** are tie-barred to each other, meaning neither could take effect unless both were enacted. They would take effect 90 days after being enacted.

## FISCAL IMPACT:

Senate Bill 529 requires that DHHS and counties seek reimbursement only for expenditures that were made under an approved plan or budget or under department policy. To the extent that the department or counties had received reimbursements in the past for expenditures

that were not made under an approved plan, budget, or department policy, they would see a reduction in the amount of these reimbursements. However, any reduction experienced by one entity would be offset by the corresponding savings to the other. (For example, if a county no longer received reimbursement from the state for 50% of a certain type of expenditure, then the state would realize the corresponding savings of that previously reimbursed amount.)

Senate Bill 530 would potentially increase costs to the state by an indeterminate amount. The bill's provisions that require that the department be the first payer for expenditures for children placed with DHHS and that counties be the first payer for children who are not placed with DHHS should not increase state expenditures by a significant amount. The bill includes a detailed list of in-home care and out-of-home care expenditures that are now to be reimbursed. Currently, the department bases reimbursable expenses on stipulations in the Child Care Fund Handbook, the department's annual Child Care Plan, and DHHS policy manuals. To the extent that additional specific expenses or services might now be required to be reimbursed, the bill may increase costs to the state.

The bill also requires that each county automatically receive a monthly administrative or indirect cost payment for out-of-home care expenditures that is equal to 10% of that county's total monthly gross expenditures for out-of-home services. In addition, the bill requires counties to receive a similar cost payment for in-home care expenditures that is equal to 10% of that county's total monthly gross expenditures for in-home services.

In FY 2014-15, counties expended in aggregate approximately $111.0 million for in-home care services and approximately $197.0 million for out-of-home services. Using these past-year estimates, the state would be required to distribute approximately $30.8 million to the counties for these payments under the provisions of the bill. However, because DHHS currently reimburses counties for approved indirect costs, the specific amount of any increased cost to the state is indeterminate and would equal the amount of indirect costs paid through these new payments that are higher than the approved indirect costs amounts paid in the previous year.

In addition, the bill would allow funding to be used for allowable purposes necessary for in-home care or out-of-home care, unless that funding or services are available from other public assistance programs. Any new services offered by counties under this provision would increase costs to the county and the state. The amount of any increase cost would be dependent upon the amount of funding required to pay for any new reimbursable services provided.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.