

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2021-22</b>		<b>FY 2022-23</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
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 eliminates the authority for the Department of Health and Human Services to contract for a case management lead agency pilot project in the Eastern Service Area. The bill also prohibits the department from reinstating a lead agency in the Eastern Service Area.

Current state statute allows the department to designate a lead agency for a case management lead agency model pilot project in the Eastern Service Area. The department has a lead agency contract with Saint Francis Community Services in the Eastern Service Area. If the authority to contract for case management services is removed, all case management would be required to be provided by employees of the department.

The current contract with Saint Francis Community Services is a cost-based contract with a cap set at 5% or less of the out-of-home cost average per child in the area of the state outside of the Eastern Service Area. The financial provisions of the contract are summarized below:

**Program Costs:** All costs incurred and paid to a third party for one or more of the following:

- Placement Costs
- Non-Contract Respite
- Daycare
- Financial Assistance/Personal Supplies
- Independent Living
- Contract Services – Client Related (Direct client services)
- Program Expenses – Cost incurred in supporting families not otherwise included above

**Administrative Costs**

- All costs incurred except those defined in Program Costs. Costs must be allowable under federal and state law and reimbursement is at the discretion of the department.
- Subrecipient’s (**Saint Francis Community Services is the subrecipient**) average cost per child calculated in 4.4.2 (**this section refers to all children in the care of Saint Francis Community Services**) must be less than 5% on out-of-home children (**and only out-of-home children**) over the average cost per child (**all children, both in-home and out-home**) incurred by DHHS throughout the rest of the state, excluding the Eastern Service Area. **Saint Francis Community Services’ in-home costs are 100% cost based with no cap.**

Based on this cap, eliminating the contract and returning case management to the state would either be equal to current costs or save costs, excluding transition costs. The department’s fiscal note shows additional costs of \$6,193,347 (\$5,264,345 GF and \$929,002 FF) in FY 2023. There would be transition costs, but the department’s estimates appear to be high for the following reasons:

- The department's fiscal note states that Saint Francis Community Services paid a premium on their administrative salaries. However, the department is required to pay the salaries in the state's personnel classification plan, except for discretionary/non-classified employees. The department is limited to the number of discretionary/non-classified positions, many of which are currently filled. The department could request a review of classifications from the Personnel Division within the Department of Administrative Services. This would take time and would cover all employees in the state within those classifications, not just those in the Eastern Service Area. Those additional costs, if any, would not be attributed to this bill.
- The start-up costs allowed under Amendment Three of the contract with Saint Francis Community Services for cases transitioned from PromiseShip was \$1,043,904. It's unclear why transition from Saint Francis Community Services to the state would be six times higher.
- The department's fiscal note shows \$6.2 million in state personnel and related costs during the transition, but does not recognize any reduction in the costs paid to Saint Francis Community Services. As is it a cost-based contract, the state would not be paying for children not under the care of Saint Francis Community Services.

Based on the prior amount that was allowed for start-up costs, it is estimated those one-time costs would be between \$1,000,000 and \$1,500,000.

The effective date of the act is October 1, 2021. On this date, the bill states all case management would be provided by state employees. Additionally the department would be prohibited from reinstating the lead agency contract in the Eastern Service Area. There is a conflict between the effective date and the current contract. The current contract provides for a six-month notice to end the contract. If the bill is passed there is nothing prohibiting the department from giving notice upon passage, even though the effective date is October 1, 2021. Assuming the department waits until the effective date of the legislation, it would be reasonable to assume that a transition plan would begin to be implemented with a six-month timeframe from the date of the notice. This is the same timeframe that occurred with the transition from PromiseShip to Saint Francis Community Services. The department's fiscal note assumes the transition would not provide notice upon the effective date of the bill but would begin the transition in September 2022, a year after the effective date of the act. The termination date of the contract would be its current termination date in February 2023.

Case management costs currently paid under the contract are in Program 354. These costs once determined would need to be moved to Program 033.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	491	AM:	AGENCY/POLT. SUB: Nebraska Department of Health and Human Services	
REVIEWED BY:	Ann Linneman	DATE:	2-16-2021	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 2-11-2021

Phone: (5) 471-6719

	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
<b>GENERAL FUNDS</b>			\$5,264,345	
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>			\$929,002	
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>			\$6,193,347	

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

**Explanation of Estimate:**

LB 491 eliminates the ability for the Department of Health and Human Services (DHHS) to contract with a third party to provide case management services in the Eastern Service Area (ESA) of the Child Welfare Program (Douglas and Sarpy Counties). It also prohibits the Division of Children and Family Services (CFS) from reinstating a contract for a lead agency after October 1, 2021. DHHS would not be able to enter into a new contract with the current third party contract in the ESA (Saint Francis Ministries). The current contract runs through February 28, 2023. At the end of the current contract, DHHS would be required to assume all case management of the ESA under the administration of CFS.

DHHS will need to enter into contracts with Saint Francis Ministries contracted providers to ensure the continuity of services for children and families. If a provider chooses not to contract with the DHHS, the family and child will be impacted greatly. There will be staff turnover within St. Francis which will cause children and families having multiple case workers and directly delay permanency for children.

To fulfil the bill, DHHS would need to hire new staff and transfer all case management activities in the ESA. Ideally DHHS would allow for a 6 month transition and implementation plan (starting September 2022) where DHHS would need to continue paying the administration of Saint Francis as well as hire DHHS staff. Below is a breakdown of the number of the 222 FTE staff and the hiring timeframe.

	CFS Specialist	CFS Specialist Leads	CFS Supervisor	Service Deliver Admin	Admin Assist II	Staff Assist II	Resource Developer	Accounting Clerk
Total Staff required	155	18	20	4	1	8	12	4
Hiring Month (as percentage of staff)								
September	0%	0%	0%	100%	0%	0%	50%	0%
October	15%	15%	15%	100%	0%	0%	100%	0%
November	50%	50%	50%	100%	0%	0%	100%	0%
December	90%	90%	90%	100%	0%	25%	100%	50%
January	100%	100%	100%	100%	50%	50%	100%	75%
February	100%	100%	100%	100%	100%	100%	100%	100%

DHHS will need to develop a mobile crisis response and transition plan to ensure families and children are supported during the transition and that the continuity of services is in place. This response includes bringing in staff from other areas of the state to provide coverage in the ESA. This will put a strain on the other service areas and may cause a delay or disruption in other areas of the state during the transition period. To facilitate the transition, DHHS estimates 40 staff would need to be stationed in the ESA for 60 days. The estimated costs for a mobile crisis center would be \$506,992 for transportation and lodging. This would only impact SFY 2022 operating expenses (September and October).

New staff will be hired and subsequently trained prior to assuming any case management responsibilities. Staff at Saint Francis are paid a premium on their administrative salaries at 10-15% above current DHHS salaries for similar positions. DHHS assumes that to hire the staff from Saint Francis Ministries to DHHS, the current salary would need to be kept constant.

Other new operating expenses include car leases (\$356,160 per year), laptop replacements (\$100,800 per year), and work space (\$497,600 per year). See breakout below of the operating costs and the implementation needed for each new amount.

Operations	Monthly (Max)	Yearly (Annualized)	Percentage of Operating Budget Needed			
			September	October	November	December
Leases (70 Cars at \$424/month)	\$ 29,680.00	\$ 356,160.00	10%	30%	70%	100%
Laptop (56 per year at 1,800/yr)	\$ 8,400.00	\$ 100,800.00	100%	100%	100%	100%
Work Space	\$ 41,466.67	\$ 497,600.00	25%	75%	100%	100%

Below is a breakdown of costs by major categories by month in SFY 2023.

	Total Cost	Salary	Benefits	Operations
September	\$ 349,828.67	\$ 42,980.00	\$ 14,940.00	\$ 291,908.67
October	\$ 603,624.40	\$ 173,837.90	\$ 60,427.65	\$ 369,358.85
November	\$ 820,974.67	\$ 432,301.00	\$ 150,269.50	\$ 238,404.17
December	\$ 1,363,903.07	\$ 739,975.40	\$ 257,217.90	\$ 366,709.77
January	\$ 1,511,783.67	\$ 825,175.00	\$ 286,834.00	\$ 399,774.67
February	\$ 1,543,232.67	\$ 843,292.00	\$ 293,133.00	\$ 406,807.67
March	\$ 1,543,232.67	\$ 843,292.00	\$ 293,133.00	\$ 406,807.67
April	\$ 1,543,232.67	\$ 843,292.00	\$ 293,133.00	\$ 406,807.67
May	\$ 1,543,232.67	\$ 843,292.00	\$ 293,133.00	\$ 406,807.67
June	\$ 1,543,232.67	\$ 843,292.00	\$ 293,133.00	\$ 406,807.67
2023 Cost	\$ 12,366,277.80	\$ 6,430,729.30	\$ 2,235,354.05	\$ 3,700,194.45

September - February Cost \$ 6,193,347.13

The total cost between September and February is \$6,193,347. DHHS could claim Federal Funds on these expenses (assuming 30% of the total at a 50% Federal Match). The GF impact would be \$5,264,345 and the FF impact would be \$929,002. These costs could not be funded in existing budgets. This would require a new appropriation as DHHS would not have the funds to pay for both Saint Francis Ministries and DHHS administration during the transition.

DHHS would request a transfer of appropriation for the amount of the expenses between March and June 2023 from Program 354 to Program 033. The amount of GF would be \$5,246,990 and the amount of FF would be \$925,940 or a total of \$6,172,930.

Outside of the 2022-2023 biennium, DHHS would need to transfer funds from Program 354 to Program 033. See below.

2024 amount	
Yearly Salary	\$ 10,119,504.00
Yearly Benefits	\$ 3,517,596.00
Yearly Operations	\$ 4,881,692.00
Yearly Total	\$ 18,518,792.00

Appropriation Transfer	
General Fund	\$ 15,740,973.20
Federal Fund	\$ 2,777,818.80
Total Funds	\$ 18,518,792.00

The remaining ESA aid budget that is currently paying for direct services inside of the 354 budget would remain in the 354 budget.

**MAJOR OBJECTS OF EXPENDITURE**

**PERSONAL SERVICES:**

POSITION TITLE	NUMBER OF POSITIONS		2021-2022 EXPENDITURES	2022-2023 EXPENDITURES
	21-22	22-23		
Child & Family Services Specialist	97.5			\$4,339,287
Child & Family Services Lead	11.3			\$540,474
CFSS Supervisor	12.6			\$695,657
DHHS Service Delivery Admin I	3.3			\$228,920
Admin Assistant II	0.5			\$20,097
Staff Assistant II	3.8			\$155,572
Resource Developers	9.5			\$381,672
Accounting Clerk II	2.1			\$69,050
Benefits.....				\$2,235,354
Operating.....				\$3,700,194
Travel.....				
Capital Outlay.....				
Aid.....				-\$6,172,930
Capital Improvements.....				
<b>TOTAL.....</b>				<b>\$6,193,347</b>