



Economic Impact Analysis Virginia Department of Planning and Budget

22 VAC 40-221 – Additional Daily Supervision Rate Structure
Department of Social Services
December 13, 2009

Summary of the Proposed Amendments to Regulation

Federal law (ACF, 42 U.S.C. 673 and policy announcement ACYF-CB-PA-01-01) requires that there be a uniform statewide rate system in order for a state to draw down Title IV-E funds for foster care maintenance and adoption assistance. Failure to have a statewide rate system may result in the denial of federal funds. Therefore the State Board of Social Services proposes to require through these proposed regulations such a uniform statewide rate system. This regulatory action addresses only maintenance payments for the additional daily supervision needs of the child. It does not address the provision of services funded through the Comprehensive Services Act.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Failure to comply with the federal requirement to have a uniform statewide rate system in order to draw down Title IV-E funds for foster care maintenance and adoption assistance would potentially eliminate the following amounts of federal dollars for foster care maintenance and adoption assistance: \$375,000 in fiscal year 2010, \$500,000 in fiscal year 2011, and increasingly larger amounts in subsequent years. Thus the proposal to comply with federal law will be beneficial for foster and adoptive families and the Commonwealth overall.

Since currently payments from placing agencies do not follow a uniform structure, the imposition of a uniform statewide structure would result in some parties receiving lesser payments and others higher payments, as the current structure allows each placement agency to

essentially determine their own formula (within limits). This allows foster parents to “forum shop” to secure the highest reimbursement rate. The proposed uniform rate structure would effectively end this practice and assure stability for the children as there would no longer be a benefit for parents to attempt to switch placement agencies.

Businesses and Entities Affected

The proposed amendments affect the state and local departments of social services, the 60 to 70 licensed child placing agencies, and foster and adoptive families.

Localities Particularly Affected

The proposed amendments do not disproportionately affect particular Virginia localities.

Projected Impact on Employment

The proposed amendments are unlikely to significantly affect employment.

Effects on the Use and Value of Private Property

The proposed required uniform statewide rate system will eliminate differences in payments from placing agencies to foster families. Some private placing agencies that otherwise would have paid foster families at higher rates may have fewer foster parents come to them when all placing agencies are required to have the same rate structure.

Small Businesses: Costs and Other Effects

The proposed amendments may moderately increase costs for some placing agencies in that they will be required to use the federally required state structure proposed in these regulations.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There is no clear alternative method that reduces adverse impact while still complying with federal law.

Real Estate Development Costs

The proposed amendments will not affect real estate development costs.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.