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FISCAL IMPACT STATEMENT

LS 6330
BILL NUMBER: SB 306

NOTE PREPARED: Dec 27, 2012
BILL AMENDED:

SUBJECT: Mandatory Adoption Subsidy Payments.

FIRST AUTHOR: Sen. Broden
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill has the following provisions:

- (1) Requires the Department of Child Services (DCS) to: (a) enter into an agreement, with each adoptive parent of a child with special needs who is eligible for an adoption subsidy, to provide an adoption subsidy for the child; and (b) allocate funds to the adoption assistance account necessary to make the adoption subsidy payments.
- (2) Prohibits the DCS from terminating an adoption subsidy agreement with adoptive parents due to insufficient funds in the adoption assistance account.
- (3) Makes conforming changes.
- (4) Repeals a provision that allows the DCS to: (a) approve new adoption subsidy agreements only for children who are wards of the DCS at the time the adoption petition is filed; and (b) give priority to funding new adoption subsidy agreements for children who are or were wards of the DCS; if the DCS determines that sufficient funds are not available.

Effective Date: July 1, 2013.

Summary of NET State Impact: This bill could increase state expenditures for adoption subsidies by *at most* \$38.0 M in FY 2014 and \$46.3 M in FY 2015.

This bill could also encourage adoptions in the state. To the extent this bill results in an increased number of completed adoptions in the state, this bill could increase revenue the state receives from the Federal Adoption Incentive Funding Grant Program. Because federal funds under this program are awarded on a competitive

basis the potential increase is unknown.

The funds available to states under the Federal Adoption Incentive Grant Program are a static amount of funds divided between states based on a state's performance with regards to certain adoption statistics. Considering Indiana received \$1.3 M in grant funding for FFY 2012, this bill is not expected to result in a large increase in grant funding to offset any potential increase in state expenditures.

Explanation of State Expenditures: *Summary:* This bill will require the Department of Child Services (DCS) to pay adoption subsidies to adoptive parents of children with special needs if DCS has entered into an agreement with the adoptive parents for adoption subsidy payments. This bill could increase state expenditures by *at most* \$38.0 M in FY 2014 and \$46.3 M in FY 2015. Actual expenditures for adoption subsidies may be less and will depend on negotiations between the DCS and adoptive parents.

Additional Information:

Currently, the DCS has two main adoption programs for foster children. These are the federal Title IV-E Special Needs Adoption Assistance Payment program (AAP) and the State Adoption Subsidy program (SAS).

Federal Title IV-E Special Needs Adoption Assistance Payment Program: The AAP program in Indiana provides Medicaid services as well as an adoption subsidy for children with special needs to cover payments for related medical expenses. Funds for this program are provided at the Medicaid federal/state financial participation rate. The AAP program is an entitlement program for eligible children and is based on the condition and eligibility of the child's parents at the time of the child's removal from the home. Once the DCS determines a child is eligible for IV-E, no redetermination is necessary. Not all children in foster care qualify for the AAP program. Currently, AAP eligibility is granted to children until the age of 21 if the DCS determines it is in the child's best interest due to a preexisting condition.

Medicaid and Title IV-E are jointly funded by the state and federal governments. The state share of program expenditures is approximately 33%. Medicaid medical services and IV-E subsidies are matched by the federal match rate (FMAP) in Indiana at approximately 67%. The State Adoption Subsidy Program provides adoption subsidies from state funds to parents who adopt special needs children. This program is separate from the federal IV-E Special Needs Adoption Assistance Payment program and not substitutable.

State Adoption Subsidy Program: State adoption subsidy agreements are negotiated between parents and DCS to provide a daily per diem amount that is based on the needs of the child. For CY 2013, the maximum daily per diem amount will be \$68.08 per adopted child (\$24,800 per year). This rate is based on the child's age and level of care the child needs. As reported by the DCS, the SAS program exists, but is currently not funded.

The following information was reported by DCS for the SAS adoption subsidy waiting list over the previous three state fiscal years.

DCS Reporting Date	SAS Waiting List	Waiting List Increase from Previous Year
December 2010	400	+200
December 2011	750	+350
December 2012	1,200	+450

Using this information, an average of 333 children were added to the SAS waiting list per year. It was estimated that for FY 2014 and FY 2015, the total number of adopted children on the waiting list for SAS payments could be approximately 1,533 and 1,866, respectively.

If all adopted children on the SAS waiting list are required to receive adoption subsidy payments, the bill could increase state expenditures by *at most* \$38.0 M in FY 2014 and \$46.3 M in FY 2015. Actual increases in state expenditures will depend on (1) the per diem amount negotiated between the adopted parents and DCS, (2) the actual number of children added to the waiting list before the bill's effective date, (3) the number of children with special needs adopted after the bill's effective date who, under the bill, would be entitled to SAS payments, (4) the number of children on the SAS waiting list who age out of eligibility for SAS payments, and (5) any other attrition from the SAS waiting list.

Explanation of State Revenues: This bill may potentially increase the number of adoptions fostered in the state. To the extent this bill accomplishes that, revenue the state receives from the Federal Adoption Incentive Funding Grant Program may increase. These funds are provided to states based on the number of adoptions a state completes in a year. These funds are awarded on a competitive basis, and a federal formula is used to determine how much money each state will receive (although no state is guaranteed to receive grant funding). For FFY 2012, Indiana received approximately \$1.3 M in federal adoption incentive funding. Comparatively, for FFY 2011 and FFY 2010, Indiana received approximately \$835,000 and \$1.4 M in grant funding from the program, respectively, and from FFY 2002 to FFY 2004 received none.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DCS.

Local Agencies Affected:

Information Sources: Brady Brookes, DCS.

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