

## **Report to the Legislature**

### **Child Welfare Start-up Costs Associated with Performance-Based Contracts**

Chapter 50, Laws of 2011

2ESHB 1087

Section 202(3)(b)

April 21, 2014

Children's Administration

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**Department of Social and Health Services**  
**Start-up Costs Associated with Performance-Based Contracts**  
**Under RCW 74.13.360 and House Bill No. 2122**

**April 21, 2014**

This document has been prepared in accordance with the requirement of Chapter 50, Laws of 2011, Section 202, which states:

*(b) The department shall use performance-based contracts to provide services to safely reduce the number of children in out-of-home care, safely reduce the time spent in out-of-home care prior to achieving permanency, and safely reduce the number of children returning to out-of-home care following permanency. The department shall provide an initial report to the legislature and the governor by January 15, 2012, regarding the start-up costs associated with performance-based contracts under RCW 74.13.360 and House Bill No. 2122 (child welfare).*

**Start-Up Costs**

“Start-up costs associated with performance-based contracts under RCW 74.13.360 and House Bill No. 2122” is not defined in statute. The department has interpreted start-up costs as those nonrecurring costs associated with setting up a new business. These may include items such as accountant's fees, legal fees, salaries and wages for employees who are being trained and their instructors, travel and other necessary costs for securing prospective sub-contractors, and salaries and fees for necessary managerial staff.

RCW 74.13.366 establishes a preference to use qualifying private nonprofit entities over for-profit entities, and start-up expenditures are necessary to support these nonprofit entities in establishing a new case management system prior to the department paying for actual service delivery. Start-up activities and their associated costs assure the new case management services required under a performance-based contract with supervising agencies will be available to be delivered without interruption.

**RCW 74.13.360 Start-Up Costs**

RCW 74.13.360 establishes the requirement for the department to enter into performance-based contracts with supervising agencies to establish child welfare demonstration sites by December 30, 2016. This implementation is required to occur under the oversight of the statutorily mandated Child Welfare Transformation Design Committee (CWTDC).

The CWTDC was suspended by the 2013 Legislature from July 28, 2013, until December 1, 2015, and expires July 1, 2016. The performance-based contracts to be implemented by December 2016 have not yet been entered into; therefore, no start-up costs have been expended.

### **SHB 2122 Start-Up Costs**

The purpose of SHB 2122 was to retroactively amend 2SHB 2106 (passed in 2009 and codified as RCW 74.13.360-372) to clarify that the legislature's intent was to permit the department to contract for service coordination under a "Lead Agency Model" without first complying with the contracting out statute (RCW 41.06.142). SHB 2122 was developed in response to a May 13, 2011, Thurston County Superior Court order enjoining the department from implementing the Request for Proposal issued to implement 2SHB 2106 unless and until it complied with the contracting-out statute.

SHB 2122 did not pass the legislature. Therefore, no start-up costs were expended in association with this bill.