WEST VIRGINIA LEGISLATURE

2026 REGULAR SESSION

INTERIM BILL

FISCAL NOTE

Introduced

Senate Bill 545

By Senators Deeds, Grady, M. Maynard, Roberts, and Tarr

[Introduced January 20, 2026; referred to the Committee on Finance]

A BILL to amend and reenact §49-2-125 of the Code of West Virginia, 1931, as amended, relating to creating a special revenue account to expand in-state residential treatment capacity for children; specifying the purposes of the fund; establishing funding sources; authorizing disbursements; and providing for administration.

Be it enacted by the Legislature of West Virginia:

ARTICLE 2. STATE RESPONSIBILITIES FOR CHILD WELFARE.

§49-2-125. Commission to Study Residential Placement of Children; findings; requirements; reports; recommendations; fund.

(a) The Legislature finds that the state's current system of serving children and families in need of or at risk of needing social, emotional and behavioral health services is fragmented. The existing categorical structure of government programs and their funding streams discourages collaboration, resulting in duplication of efforts and a waste of limited resources. Children are usually involved in multiple child-serving systems, including child welfare, juvenile justice and special education. More than ten percent of children presently in care are presently in out-of-state placements. Earlier efforts at reform have focused on quick fixes for individual components of the system at the expense of the whole. It is the purpose of this section to establish a mechanism to achieve systemic reform by which all of the state's child-serving agencies involved in the residential placement of at-risk youth jointly and continually study and improve upon this system and make recommendations to their respective agencies and to the Legislature regarding funding and statutory, regulatory and policy changes. It is further the Legislature's intent to build upon these recommendations to establish an integrated system of care for at-risk youth and families that makes prudent and cost-effective use of limited state resources by drawing upon the experience of successful models and best practices in this and other jurisdictions, which focuses on delivering services in the least restrictive setting appropriate to the needs of the child, and which produces better outcomes for children, families and the state.

(b) There is created within the Department of Human Services the Commission to Study the Residential Placement of Children. The commission consists of the Secretary of the Department of Human Services, the Commissioner of the Bureau for Children and Families, the Commissioner for the Bureau for Behavioral Health and Health Facilities, the Commissioner for the Bureau for Medical Services, the State Superintendent of Schools, a representative of local educational agencies, the Director of the Office of Institutional Educational Programs, the Director of the Office of Special Education Programs and Assurance, the Director of the Division of Juvenile Services and the Executive Director of the Prosecuting Attorney's Institute. At the discretion of the West Virginia Supreme Court of Appeals, circuit and family court judges and other court personnel, including the Administrator of the Supreme Court of Appeals and the Director of the Juvenile Probation Services Division, may serve on the commission. These statutory members may further designate additional persons in their respective offices who may attend the meetings of the commission if they are the administrative head of the office or division whose functions necessitate their inclusion in this process. In its deliberations, the commission shall also consult and solicit input from families and service providers.

(c) The Secretary of the Department of Human Services shall serve as chair of the commission, which shall meet on a quarterly basis at the call of the chair.

(d) At a minimum, the commission shall study:

(1) The current practices of placing children out-of-home and into in-residential placements, with special emphasis on out-of-state placements;

(2) The adequacy, capacity, availability and utilization of existing in-state facilities to serve the needs of children requiring residential placements;

(3) Strategies and methods to reduce the number of children who must be placed in out-of-state facilities and to return children from existing out-of-state placements, initially targeting older youth who have been adjudicated delinquent;

(4) Staffing, facilitation and oversight of multidisciplinary treatment planning teams;

(5) The availability of and investment in community-based, less restrictive and less costly

alternatives to residential placements;

(6) Ways in which up-to-date information about in-state placement availability may be made readily accessible to state agency and court personnel, including an interactive secure web site;

(7) Strategies and methods to promote and sustain cooperation and collaboration between the courts, state and local agencies, families and service providers, including the use of inter-agency memoranda of understanding, pooled funding arrangements and sharing of information and staff resources;

(8) The advisability of including no-refusal clauses in contracts with in-state providers for placement of children whose treatment needs match the level of licensure held by the provider;

(9) Identification of in-state service gaps and the feasibility of developing services to fill those gaps, including funding;

(10) Identification of fiscal, statutory and regulatory barriers to developing needed services in-state in a timely and responsive way;

(11) Ways to promote and protect the rights and participation of parents, foster parents and children involved in out-of-home care;

(12) Ways to certify out-of-state providers to ensure that children who must be placed out-of-state receive high quality services consistent with this state's standards of licensure and rules of operation; and

(13) Any other ancillary issue relative to foster care placement.

(e) The commission shall report annually to the Legislative Oversight Commission on Health and Human Resources Accountability its conclusions and recommendations, including an implementation plan whereby:

(1) Out-of-state placements shall be reduced by at least ten percent per year and by at least fifty percent within three years;

(2) Child-serving agencies shall develop joint operating and funding proposals to serve the needs of children and families that cross their jurisdictional boundaries in a more seamless way;

(3) Steps shall be taken to obtain all necessary federal plan waivers or amendments in order for agencies to work collaboratively while maximizing the availability of federal funds;

(4) Agencies shall enter into memoranda of understanding to assume joint responsibilities;

(5) System of care components and cooperative relationships shall be incrementally established at the local, state and regional levels, with links to existing resources, such as family resource networks and regional summits, wherever possible; and

(6) Recommendations for changes in fiscal, statutory and regulatory provisions are included for legislative action.

(f) There is created in the State Treasury a separate special revenue account, which shall be an interest-bearing account, to be known as the "Residential Treatment Capacity Expansion Fund." The special revenue account shall consist of appropriations made by the Legislature, recoveries or reimbursements relating to residential treatment services for children, income from the investment of moneys held in the special revenue account, and all other sums available for deposit to the special revenue account from any source, public or private. No expenditures for purposes of this section are authorized from collections except in accordance with the provisions of article three, chapter twelve of this code and upon fulfillment of the provisions set forth in article two, chapter five-a of this code. No expenses incurred under this section shall be a charge against the General Revenue Fund of the state.

(g) Moneys in the special revenue account shall be appropriated to the Department of Human Services and used exclusively, in accordance with appropriations made by the Legislature, to pay costs, fees, and expenses incurred, or to be incurred, for the following purposes:

(1) The recruitment, incentive support, and development of residential treatment providers seeking to establish new or expanded operations within the state;

(2) The acquisition, renovation, construction, or expansion of facilities used to provide residential treatment services to children within the state;

(3) Startup, workforce development, training, or technical support necessary for the establishment or expansion of in-state residential treatment programs, including specialized treatment models;

(4) The assessment, planning, transportation, or transition-related activities necessary to return West Virginia children from out-of-state residential placements into appropriate in-state treatment settings;

(5) The development, implementation, administration, and management of treatment models, quality standards, oversight systems, and training materials pertaining to residential treatment programs and facilities;

(6) All other related residential treatment capacity-building activities determined necessary by the Secretary of the Department of Human Services to increase in-state placement availability and reduce reliance on out-of-state providers; and

(7) All costs incurred in the administration of the special revenue account.

(h) Any balance remaining in the special revenue account at the end of any state fiscal year shall not revert to the General Revenue Fund but shall remain in the special revenue account and shall be used solely in a manner consistent with the purposes of this section.

(i) Disbursements from the special revenue account shall be authorized by the Secretary of the Department of Human Services or his or her designee. Payment from the special revenue account may be made for any expense directly related to the development, expansion, or support of residential treatment capacity within the state, including any such expense incurred prior to the effective date of this section, if such expense is consistent with the purposes of this section.

NOTE: The purpose of this bill is to create a special revenue account, the Residential Treatment Capacity Expansion Fund, to support the recruitment, development, and expansion of in-state residential treatment providers for children. The fund may be used for provider incentives, facility development, transition services for children currently placed out of state, and other activities that increase West Virginia's residential treatment capacity.

This bill was recommended for introduction by the Joint Committee on Children and Families.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.