Department of Planning and Budget
2010 Fiscal Impact Statement

1. **Bill Number:** SB 358

House of Origin	X	Introduced	___	Substitute	___	Engrossed
Second House	___	In Committee	___	Substitute	___	Enrolled

2. **Patron:** Howell

3. **Committee:** Education and Health

4. **Title:** **Certificate of public need; schedule of fees**

5. **Summary:** Increases the maximum amount of fees for an application for a Certificate of Public Need (COPN) from $20,000 to $50,000 and provides that such fees shall be divided equally between the Virginia Department of Health (VDH) and the regional health planning agencies (RHPAs), with the allocation among the RHPAs based on population, except that when a region does not have a regional health planning agency, the department shall retain fees that would have been distributed to that regional health planning agency.

6. **Fiscal Impact Estimates:** Preliminary. See item #8.

Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2010	$0	
2011	$785,000	NGF
2012	$785,000	NGF
2013	$785,000	NGF
2014	$785,000	NGF
2015	$785,000	NGF
2016	$785,000	NGF

7. **Budget Amendment Necessary:** Yes, Item 285 (Health Research, Planning, and Coordination) in HB/SB 30.

8. **Fiscal Implications:** The bill requires the equal division of fees collected for COPN applications between the Virginia Department of Health's Division of Certificate of Public Need and the five RHPAs.

Receipts for COPN applications are not consistent month to month, nor are they predictable. Distributing revenue on a monthly or even quarterly basis could create significant cash flow issues for the division. The current state of the economy is expected to result in fewer COPN applications, as well as a reduction in the capital value of the applications received. Since the fee is calculated from the capital value of the project for which the application is filed, this will result in a decrease in future application fee collections.

This bill allows the basic COPN application fee structure to be kept at 1.0 percent of the estimated capital cost with a minimum fee of $1,000 and increases the maximum fee cap

from $20,000 to $50,000. Based on the average number of applications received over the last two years, this would impact approximately 40 applications per year and add about $785,000 in fee revenue each year. Since the size of the capital cost of projects has decreased in the last couple of years, and it is reasonable to expect that in the current economic times capital spending will be kept to a minimum, resulting in a reduction in the number of COPN applications, the $785,000 figure may be optimistic. To use an averaging period of greater than two years would include applications filed during a more robust economy and result in an even more optimistic projection. The annual fee revenue, with the increased maximum, is projected to be approximately $1.8 million, up from approximately $1.0 million currently. If that increased fee revenue is divided between VDH and the regional health planning agencies (assuming all five are designated) the total available to VDH will be short of that needed to operate the Division of Certificate of Public Need by more than $100,000 annually.

The equal division of receipts between VDH and the RHPAs will make it impossible for the division to use high fee months to cover expenses during lower fee months, smoothing the availability of funds throughout the year. A lean month, regarding fee revenue, early in the year may result in inadequate nongeneral funds available to cover the division's expenses, and without the ability to accumulate funds, borrow or seek other funding sources, all options available to the RHPAs; the division will be forced to layoff staff. This will result in inadequate staff to meet the workload during heavier review cycles. Providing all excess fee revenue to the RHPAs at the end of the year will provide them with a larger pool of funding to manage throughout the subsequent year.

Only one of the Health Planning Regions is currently represented by a designated regional health planning agency (HPR II, Northern Virginia). The regional health planning agencies previously designated for the four other Health Planning Regions terminated their relationship with VDH in the first half of FY 2010, but they remain constituted as independent, not-for-profit corporations. The Code of Virginia, §32.1-122.05, allows, but does not direct, the Board of Health to designate regional health planning agencies. The current and former regional health planning agencies anticipate that if additional funding is provided through SB 358, all five regional health planning agencies will be re-designated by the Board of Health.

9. Specific Agency or Political Subdivisions Affected: Virginia Department of Health

10. Technical Amendment Necessary: No.

11. Other Comments: No.

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