

Department of Planning and Budget

2015 Fiscal Impact Statement

1. Bill Number: HB 1614

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Campbell

3. Committee: Health, Welfare and Institutions

4. Title: Closure of the Southwestern Virginia Training Center and the Southeastern Virginia Training Center prohibited

5. Summary: The bill provides that the Southwestern Virginia Training Center and the Southeastern Virginia Training Center shall not be closed and shall instead remain open and continue to accept new admissions.

6. Budget Amendment Necessary: Yes. Items 499, 197, 421, 430, 498.

7. Fiscal Impact Estimates:

7a. Expenditure Impact:

FY	Dollars	Fund
2015	\$1,764,080	General
2015	\$1,764,080	Nongeneral
2016	\$6,446,309	General
2016	\$6,446,309	Nongeneral
2017	\$8,853,876	General
2017	\$8,853,876	Nongeneral
2018	\$12,045,470	General
2018	\$12,045,470	Nongeneral
2019	\$16,325,007	General
2019	\$16,325,007	Nongeneral
2020	\$16,325,007	General
2020	\$16,325,007	Nongeneral
2021	\$13,005,007	General
2021	\$13,005,007	Nongeneral

These figures assume that Southwest Virginia Training Center (SWVTC) remains open at its current capacity of 135 beds and that Southeastern Virginia Training Center (SEVTC) continues to operate at 75 beds. For the purposes of these estimates no change in the cost of care is assumed. These estimates include \$16.6 million in deferred maintenance costs (as identified in FICAS) spread out from FY 2016 to FY 2020. It is assumed that these facilities will continue to operate at or near capacity and that \$14.2 million in anticipated savings in the next biennium and an ongoing savings of \$13.0 million in each of the subsequent years would not be realized. In addition, it is assumed that individuals who can transition to community waivers will continue to do so and that the state will continue to create and appropriate funds for the number of waiver slots dictated by the agreement with the United States Department of Justice (DOJ). Because SEVTC was not included in the closure plan,

there is no assumed fiscal impact for the continued operation of that facility.

8. **Fiscal Implications:** The language of the bill stipulates that both Southeast Virginia Training Center (SEVTC) and Southwest Virginia Training Center (SWVTC) remain open and continue to accept admissions. SEVTC was not a facility identified for closure (currently operating at a capacity of 75 beds) under the current transformation plan in accordance with the DOJ settlement agreement. Therefore, this legislation does not have an immediate fiscal impact on SEVTC. SEVTC's current operating budget for FY 2015 is \$20,165,361. Of that budget, \$9,603,632 is general fund match required to match special fund appropriation (from DMAS) and \$918,097 is general fund appropriation.

Continuing to operate SWVTC would, however, require additional funding as its planned closure date is at the end FY 2018. Funds would be needed for the following:

- to offset assumed savings between now and the projected closure date;
- to continue operating the facility beyond the projected closure date; and,
- to address capital needs to keep buildings open for resident use.

Lost Savings

The projected general fund savings that would have resulted from the declining census and accompanying staff reductions in FY 2015 through FY 2018 would not be realized.

Fiscal Year	Lost General Fund Savings
2015	\$1,764,080
2016	\$3,126,309
2017	\$5,533,876
2018	\$8,725,470
TOTAL	\$19,149,726

On-going Operating Costs

In addition to the lost general fund savings in FY 2015 through FY 2018, funds would be required to continue to operate SWVTC after FY 2018. Assuming that SWVTC continues to operate at its current capacity of 135 beds and that costs of service do not increase, the yearly cost of operating SWVTC would continue to be about \$26 million all funds, of which \$13 million would be general fund dollars used to draw down an equal amount of federal matching Medicaid revenues.

Capital Needs

Buildings at SWVTC would require capital funding to keep them operational and safe for residents and staff. The current Facility Inventory and Condition Assessment System (FICAS) score for SWVTC is \$16.6 million. These costs have been disbursed over several years as a general fund expense, however the decision could be made to bond for these capital projects.

Possible offsets

Previous estimates for the cost of implementing the DOJ settlement agreement assume the costs of Medicaid waiver slots for individuals transitioning into community settings. Funds

for transition waivers are included in the FY 2015-FY 2016 biennial budget. Failure to close SWVTC would likely reduce the number of individuals transitioning into the community from that facility. However, the state is still required by the agreement to create and fund the required number of slots in each fiscal year. If slots remain unfilled, there will be a reduction in the cost of the waiver program. Because the agreement dictates the creation of waiver slots, no offset is assumed for the purposes of this fiscal impact statement. Each transition slot is assumed to cost approximately \$104,000 per year (\$52,000 GF/\$52,000 NGF).

	SWVTC Lost Savings (GF)	SWVTC Deferred Maintenance	GF TOTALS
FY 2015	\$1,764,080	\$0	\$1,764,080
FY 2016	\$3,126,309	\$3,320,000	\$6,446,309
FY 2017	\$5,533,876	\$3,320,000	\$8,853,876
FY 2018	\$8,725,470	\$3,320,000	\$12,045,470
FY 2019	\$13,005,007	\$3,320,000	\$16,325,007
FY 2020	\$13,005,007	\$3,320,000	\$16,325,007
FY 2021	\$13,005,007	\$0	\$13,005,007
TOTAL	\$58,164,756	\$16,600,000	\$74,764,756