

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB324

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

2. Patron: Cambell

3. Committee: Appropriations

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

5. Summary: Provides that the Southwestern Virginia Training Center shall not be closed and shall instead remain open and continue to accept new admissions of individuals with intellectual disability for whom treatment in a training center is appropriate.

6. Budget Amendment Necessary: Yes, Item 303, Item 321, and New Capital Item

7. Fiscal Impact Estimates: See 8 below:

Expenditure Impact:

<i>FY</i>	<i>Dollars</i>	<i>Fund</i>
2018	\$0	General
2019	\$9,613,369	General
2019	\$6,519,755	Nongeneral
2020	\$22,780,309	General
2020	\$8,769,755	Nongeneral
2021	\$10,718,589	General
2021	\$8,769,755	Nongeneral
2022	\$10,718,589	General
2022	\$8,769,755	Nongeneral
2023	\$10,718,589	General
2023	\$8,769,755	Nongeneral

8. Fiscal Implications: Under this bill Southwestern Virginia Training Center (SWVTC) would remain open and continue to accept admissions. Based on the current closure plans, it is estimated that the facility will have no residents at the beginning of FY 2019. The current census is 55 residents.

The projected savings from closure of SWVTC by the end of FY 2018 are included in the Governor's introduced budget. By keeping SWVTC open, the general fund savings included in HB/SB 30 would not materialize and funds would need to be added to continue operation. In addition, funds would be required to address capital needs to keep buildings

open for resident use.

For the purposes of this analysis, DBHDS assumed that SWVTC would operate at a 60 bed capacity. Additionally, it is assumed that any potential reduction in census due to discharge or other circumstances would be proportionately offset by new admissions.

Approximately 90 percent of training center expenditures will be Medicaid reimbursable, requiring a general fund match in the Department of Medical Assistance Services (DMAS) operating budget to draw down federal special funds. By assuming that 90 percent of training center expenditures are Medicaid reimbursable and using the Commonwealth's 50 percent Medicaid match rate, this estimate assumes that 45 percent of the overall budget is a general fund match for Medicaid. The remaining 10 percent that is not reimbursable is also assumed to be a general fund expense which brings the total general fund share of the SWVTC and SEVTC budget to 55 percent. This is consistent with the 55 percent – 58 percent of training center budgets that were general fund expenses in FY 2017.

The table below summarizes the total GF need, including the general fund appropriation needed at DMAS:

Fiscal Year	SWVTC Unrealized Savings (GF)	SWVTC Capital	GF TOTALS
FY 2019	\$7,968,589	\$1,644,780	\$9,613,369
FY 2020	\$10,718,589	\$12,061,720	\$22,780,309
FY 2021	\$10,718,589	\$0	\$10,718,589
FY 2022	\$10,718,589	\$0	\$10,718,589
FY 2023	\$10,718,589	\$0	\$10,718,589
FY 2024	\$10,718,589	\$0	\$10,718,589
FY 2025	\$10,718,589	\$0	\$10,718,589
FY 2026	\$10,718,589	\$0	\$10,718,589
FY 2027	\$10,718,589	\$0	\$10,718,589
FY 2028	\$10,718,589	\$0	\$10,718,589

The fiscal impact has not been adjusted to reflect funds that will not be spent to support Medicaid transition waiver slots if individuals currently at SWVTC do not transition into community placements. While the Commonwealth may benefit from savings in the DMAS budget, under the terms of the settlement agreement with the US Department of Justice, the state must create and fund the prescribed number of slots for the duration of the agreement. For the purpose of comparison, the average transition waiver slot is assumed at \$110,676 per year (\$55,338 GF), while the average cost of a state facility bed at SWVTC operated as a 60-bed facility is estimated to be approximately \$324,806 per year (\$178,643 GF).

Additionally, DBHDS has been working with private providers to place individuals

transitioning from training centers into suitable living situations in the community. If SWVTC were to remain open, it is possible that some individuals currently scheduled to transition to the community may choose to instead remain at SWVTC, which may impact those providers who have begun developing community-based housing and serve to discourage further development.

Unrealized Savings

The savings associated with the planned closure of this facility were figured into the costs of providing community services for the target population served under the court-approved settlement agreement. If this legislation is enacted, the savings in HB/SB 30 that would have resulted from the declining census and accompanying staff reductions in FY 2018 and beyond would not be realized, and the cost of keeping this facility open would be considered new spending.

The table below displays the unrealized savings by itemizing the funds required to continue to operate the facility after the current biennium. Assuming SWVTC continues to operate at capacity of 60 beds and that costs of services do not increase, the yearly cost of operating SWVTC would be about \$19.5 million all funds, of which \$10.7 million would be general fund dollars and \$8.8 million would be federal Medicaid revenues.

All Funds

SWVTC	Baseline Operating Budget	Remaining Open at 60 Beds	Additional Need
FY 2019	\$ 5,000,000	\$ 19,488,344	\$ 14,488,344
FY 2020	\$ -	\$ 19,488,344	\$ 19,488,344
FY 2021	\$ -	\$ 19,488,344	\$ 19,488,344
FY 2022	\$ -	\$ 19,488,344	\$ 19,488,344

Capital Needs

Anticipated capital cost over the next 10 years: *\$13,706,500*

SWVTC was first occupied in 1976. Since the facility is scheduled to close in 2018, only emergency and life/safety code capital has been funded in recent years. As a result, immediate repairs are needed if the facility is to continue operating in perpetuity. The above \$13.7 million estimate assumes the renovation of the 14 cottages that will need to be operational to allow for a census of 60 individuals. The renovations will include:

- Asbestos abatement
- Electrical and mechanical system upgrades
- Millwork and equipment
- Updating of cabinetry
- Refresh of interior finishes
- ADA accessibility improvements

Beyond the immediate needs which will be expensed over the first two fiscal years if this bill is enacted, DBHDS did not attempt to identify additional capital costs that can be expected over the next 10 years if SWVTC remains open. While this figure is not included in the above estimate, it can be assumed that actual capital costs over the 10 year period outlined will exceed the estimated \$13.7 million.

9. Specific Agency or Political Subdivisions Affected: Department of Behavioral Health and Developmental Services, Department of Medical Assisted Services, Community Services Boards

10. Technical Amendment Necessary: No

11. Other Comments: None