

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: HB294

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

2. Patron: O'Quinn

3. Committee: Appropriations

4. Title: Southwestern Virginia Training Center and Southeastern Virginia Training Center; closure prohibited.

5. Summary: This 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 of individuals with intellectual disability for whom treatment in a training center is appropriate.

6. Budget Amendment Necessary: Yes. Items 306, 313, 322, 323, 324, 325

7. Fiscal Impact Estimates:

Expenditure Impact:

<i>FY</i>	<i>Dollars</i>	<i>Fund</i>
2016	\$348,459	General
2016	\$348,459	Nongeneral
2017	\$5,571,791	General
2017	\$2,171,791	Nongeneral
2018	\$6,155,258	General
2018	\$2,755,258	Nongeneral
2019	\$15,572,003	General
2019	\$12,172,003	Nongeneral
2020	\$15,572,003	General
2020	\$12,172,003	Nongeneral
2021	\$15,572,003	General
2021	\$12,172,003	Nongeneral
2022	\$12,172,003	General
2022	\$12,172,003	Nongeneral

8. Fiscal Implications:

Under this bill, both Southeastern Virginia Training Center (SEVTC) and Southwestern Virginia Training Center (SWVTC) would remain open and continue to accept admissions. The amounts above assume that Southwestern Virginia Training Center (SWVTC) remains

open at its current census of 110 residents. It includes \$17 million in deferred maintenance costs (as identified in FICAS) spread out from FY 2017 to FY 2020) as well as \$5.46 million in general fund savings from lower facility transition waiver costs as individuals scheduled for discharge would not be receiving waiver services. These savings are spread out accumulatively over the span of FY 2016 – FY 2022.

For purposes of this analysis, it is assumed that DBHDS would operate the facilities with bed capacities of 75 for SEVTC and 110 for SWVTC. Additionally, it assumed that any potential reduction in census due to discharge or other circumstances would be proportionately offset by new admissions. Nevertheless, staffing and the facility operating plan would be built on the above bed capacity structure.

Southeastern Virginia Training Center (SEVTC)

Southeastern Virginia Training Center is not scheduled for closure, thus there is no assumed fiscal impact for the continued operation of that facility. SEVTC's operating budget for FY 2016 is \$20.6 million. Of that budget, \$9.3 million is general fund match in the Department of Medical Assistance Services to match federal Medicaid dollars and \$2.0 million is general fund appropriated directly to SEVTC.

Southwestern Virginia Training Center (SWVTC)

Continuing to operate SWVTC would, however, require addition funding as its planned closure date is at the end FY 2018. The net fiscal impact of continued operation at the facility can be grouped into three categories:

1. Loss of assumed savings between now and the projected closure date;
2. Continued operation of the facility beyond the projected closure date; and,
3. Capital needs to keep buildings open for resident use.

1. Lost Savings

The projected general fund savings that are anticipated to result from the declining census and accompanying staff reductions in FY 2016 through FY 2018 would not be realized. The savings from FY 2016 have been reduced to 25 percent of their original total (\$1.4 million) to reflect the amount of savings lost in anticipation of passage of this bill. It assumes that no discharges would occur in the last quarter.

Fiscal Year	Lost General Fund Savings
2016	\$ 348,459
2017	\$2,171,791
2018	\$2,755,258
TOTAL	\$5,275,508

2. Ongoing Operating Costs

In addition to the lost general fund savings, funds would be required to continue to operate SWVTC after FY 2018. Assuming that SWVTC continues to operate at its current capacity and that costs of service do not increase, the yearly cost of operating SWVTC would continue to be about \$24.0 million all funds, of which \$12.0 million would be general fund dollars used to draw down an equal amount of federal matching Medicaid revenues.

3. 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 \$17 million. FICAS scores reflect the capital costs necessary to maintain the safe operation of a facility over a five-year span. These costs have been spread over several years as a general fund expense, however the decision could be made to use bonds for these capital projects. FICAS figures are arrived by a third party condition survey conducted every three years and adjusted for inflation on an index. This index is adjusted on a monthly basis. The cost reflects the amount of money that needs to be set aside to maintain the facility.

	SWVTC Lost Savings (GF)	SWVTC Deferred Maintenance	GF TOTALS
FY 2016	\$348,459	\$0	\$348,459
FY 2017	\$2,171,791	\$3,400,000	\$5,571,791
FY 2018	\$2,755,258	\$3,400,000	\$6,155,258
FY 2019	\$12,172,003	\$3,400,000	\$2,755,258
FY 2020	\$12,172,003	\$3,400,000	\$15,572,003
FY 2021	\$12,172,003	\$3,400,000	\$15,572,003
FY 2022	\$12,172,003	\$0	\$12,172,003
TOTAL	\$53,963,520	\$17,000,000	\$70,963,520

Possible Offsets

Estimates for the cost of implementing the Department of Justice settlement agreement assume the costs of Medicaid waiver slots for individuals transitioning into community settings. Funds to pay for the cost of these waivers is included in the FY 2017-FY 2018 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 the fiscal impact estimates on line 7 of this statement. Each transition slot is assumed to cost approximately \$104,000 per year (\$52,000 GF/\$52,000 NGF).

Current data indicates that about 79 percent of individuals discharged from state training centers transfer into a facility transition waiver. The census at SWVTC currently stands at 110 residents. Therefore, approximately 87 waivers (110 residents x 0.79) could potentially be left unused and would thereby save \$9.05 million in total funds of which \$4.53 million would represent general fund savings. The figures below reflect the currently discharge schedule.

	Possible cost avoidance from unfilled Waiver slots (GF)
FY 2016	(\$390,000)
FY 2017	(\$3,614,000)
FY 2018	(\$4,530,000)
FY 2019	(\$4,530,000)
FY 2020	(\$4,530,000)
FY 2021	(\$4,530,000)
FY 2022	(\$4,530,000)
TOTAL	(\$26,654,000)

HB/SB 30 includes approximately \$1.6 million GF in FY 2017 and \$2.8 million in FY 2018 for the administrative costs of closing the facility (retention bonuses, severance, leave payout, etc) that could be used to offset some of the fiscal impact of this legislation.

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