

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: HB1972

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: 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: None

7. Fiscal Impact Estimates: See 8 below.

Expenditure Impact:

<i>FY</i>	<i>Dollars</i>	<i>Fund</i>
2017	\$0	General
2018	\$0	General
2019	\$7,361,483	General
2019	\$5,575,758	Nongeneral
2020	\$10,501,667	General
2020	\$8,145,000	Nongeneral
2021	\$10,501,667	General
2021	\$8,145,000	Nongeneral
2022	\$10,501,667	General
2022	\$8,145,000	Nongeneral
2023	\$10,501,667	General
2023	\$8,145,000	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. These amounts in line 7 above assume that SWVTC remains open at a census of 60 residents. Based on the current closure plans, it is estimated that the facility will have a census of 70 individuals at the beginning of FY 2018.

Because SEVTC was never scheduled to close, there is no assumed fiscal impact for the continued operation of that facility. SEVTC's ongoing operating budget is expected to be \$22.3 million. Of that budget, \$10.0 million is general fund match in the DMAS to match federal Medicaid dollars and \$2.2 million is general fund appropriated directly to SEVTC.

While this bill will not require additional funds in FY 2018, continuing to operate SWVTC would eliminate the planned savings that would occur beginning in the 2018-2020 biennium, as the facility is scheduled to close at the end of FY 2018. Funds would also be needed to address capital needs to keep buildings open for resident use.

For purposes of this analysis, DBHDS assumed that the facilities would operate a facility with bed capacity of 75 for SEVTC and 60 for SWVTC. Additionally, it assumed that any potential reduction in census due to discharge or other circumstances would be proportionately offset by new admissions.

It is assumed that 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.

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	\$6,814,816	\$546,667	\$7,361,483
FY 2020	\$9,955,000	\$546,667	\$10,501,667
FY 2021	\$9,955,000	\$546,667	\$10,501,667
FY 2022	\$9,955,000	\$546,667	\$10,501,667
FY 2023	\$9,955,000	\$546,667	\$10,501,667
FY 2024	\$9,955,000	\$780,952	\$10,735,952
FY 2025	\$9,955,000	\$780,952	\$10,735,952
FY 2026	\$9,955,000	\$780,952	\$10,735,952
FY 2027	\$9,955,000	\$780,952	\$10,735,952
FY 2028	\$9,955,000	\$780,952	\$10,735,952
FY 2029	\$9,955,000	\$780,952	\$10,735,952
FY 2030	\$9,955,000	\$780,952	\$10,735,952

The fiscal impact has not been adjusted to reflect funds that will not be spent to support Medicaid transition waiver slots. While the Commonwealth may benefit from savings in the Department of Medical Assistance Services budget, under the terms of the settlement agreement with the US Department of Justice, the state must create the prescribed number

of slots for the duration of the agreement. For the purpose of comparison, the average transition waiver slot is assumed at \$104,000 per year (\$52,000 GF), while the average cost of state facility bed at SWVTC operated as a 60-bed facility is estimated to be approximately \$300,000 per year (\$150,000 GF).

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 projected savings that would have resulted from the declining census and accompanying staff reductions in 2019 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 \$17.1 million all funds, of which \$10.0 million would be general fund dollars used to draw down an equal amount of federal matching Medicaid revenues. An additional \$1.0 million has been added to support the Community Integration Teams that are needed as long as residents reside within the Training Center. The work of the Community Integration Teams is mandated by the settlement agreement.

All Funds

SWVTC	Baseline Operating Budget	Remaining Open at 60 beds	Variance to Baseline
FY 2019	\$ 5,709,426	\$ 18,100,000	\$ 12,390,574
FY 2020	\$ -	\$ 18,100,000	\$ 18,100,000
FY 2021	\$ -	\$ 18,100,000	\$ 18,100,000
FY 2022	\$ -	\$ 18,100,000	\$ 18,100,000

General Fund

SWVTC	Baseline Operating Budget	Remaining Open at 60 beds	Variance to Baseline
FY 2019	\$ 3,140,184	\$ 9,955,000	\$ 6,814,816
FY 2020	\$ -	\$ 9,955,000	\$ 9,955,000
FY 2021	\$ -	\$ 9,955,000	\$ 9,955,000
FY 2022	\$ -	\$ 9,955,000	\$ 9,955,000

Capital Needs

Anticipated capital cost over next 14 years: \$8,200,000

SWVTC was first occupied in 1976. As one of DBHDS' newer facilities, capital expenditures have been relatively low. In addition, because the facility is scheduled to close in 2018, only emergency and life safety code capital has been funded in recent years. Continuing operations in perpetuity would find the campus approaching the end of the useful life of both buildings and systems. The estimate above assumes replacement or major repairs to the following components or systems:

- Food Service facility including elevator and related food service utilities
- Building HVAC
- Roof Repairs and limited replacements
- Hazardous material removal and replacement; mostly floor tile
- Emergency power for critical data systems and operations
- Building envelop repairs and renovations beyond routine maintenance

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