

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB1421

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

2. Patron: Garrett

3. Committee: Appropriations

4. Title: Central Virginia Training Center; closure prohibited.

5. Summary: Provides that the Central Virginia Training Center shall not be closed and shall instead remain open.

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	\$2,348,160	General
2019	\$0	Nongeneral
2020	\$14,576,008	General
2020	(\$2,163,135)	Nongeneral
2021	\$9,423,168	General
2021	\$7,709,865	Nongeneral
2022	\$14,681,168	General
2022	\$12,011,865	Nongeneral
2023	\$14,681,168	General
2023	\$12,011,865	Nongeneral

8. Fiscal Implications: Under this bill, Central Virginia Training Center (CVTC) would remain open. While it is difficult to accurately predict how many individuals will maintain a residence at the training center if this bill were to be enacted into law, DBHDS has made several assumptions to allow for a base estimate of the potential costs. For the purposes of this analysis, it assumed that CVTC will continue to phase down from a census of a maximum of 98 individuals in FY 2019 to the ongoing estimated population of 60 individuals in FY 2020 and beyond. Under the current closure plans, CVTC will have no residents by the beginning of FY 2021. It is further assumed that CVTC will continue to transition individuals to the community who desire to do so. As of January 22, 2018, CVTC had a census of 113 individuals. Based on current transition plans, it is anticipated that the census at the end of FY 2018 will be 98 individuals. The net fiscal impact from these assumptions is displayed in line 7 above.

By keeping CVTC open, the general fund savings included in HB/SB 30 would not materialize. The savings in the introduced budget assume that CVTC will close at the end of FY 2020. In addition to the operating costs, funds would be required to address capital needs.

Facility Operating Budget

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 CVTC 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.

For the purposes of this estimate, CVTC is assumed to operate at a 98 bed capacity for FY 2019 before decreasing to a 60 bed capacity in FY 2020 and beyond. This will allow for the continued transition of individuals to the community who have indicated that they wish to do so. The FY 2019 operating budget for CVTC is estimated to be \$42.0 million, of which \$23.1 million would be general fund and \$18.9 million would be federal Medicaid revenue, and the FY 2020 budget is estimated to be \$26.7 million all funds, of which \$14.7 million would be general fund dollars and \$12.0 million would be federal Medicaid revenue.

The tables below display the current budgeted amounts along with the anticipated total funds and general fund budgets CVTC. The difference reflects the net additional need and is included in the right-hand column.

All Funds

CVTC	Baseline Operating Budget	Remaining Open	Additional Need
FY 2019	\$ 42,000,000	\$ 42,000,000	\$ -
FY 2020	\$ 31,500,000	\$ 26,693,033	\$ (4,806,967)
FY 2021	\$ 9,560,000	\$ 26,693,033	\$ 17,133,033
FY 2022	\$ -	\$ 26,693,033	\$ 26,693,033

General Fund

CVTC	Baseline Operating Budget	Remaining Open	Additional Need
FY 2019	\$ 23,100,000	\$ 23,100,000	\$ -
FY 2020	\$ 17,325,000	\$ 14,681,168	\$ (2,643,832)
FY 2021	\$ 5,258,000	\$ 14,681,168	\$ 9,423,168

FY 2022	\$	-	\$	14,681,168	\$	14,681,168
---------	----	---	----	------------	----	------------

The additional need for CVTC in FY 2020 is displayed as a negative due to the introduced budget's inclusion of severance, retention bonuses, and Workforce Transition Act benefit costs associated with the continued downsizing of staff that is not included in the estimate for keeping the facility open.

Capital Needs- *\$19,568,000*

CVTC was first occupied in the early part of the twentieth century. Although some renovations have occurred to the facility, there are still renovations that need to occur immediately in order to allow for the facility's continued use. These improvements include:

- The renovation of two campus buildings
- Renovation of the chiller plant
- Sanitary/sewer improvements
- Water infrastructure improvements
- Repaving roads
- Security fence improvements

Beyond these immediate needs, which will need to 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 the facility remains open. It can be assumed that the actual capital costs over the 10 year period will exceed \$19.6 million.

Total Costs

The savings associated with the planned closure of CVTC was 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 2019 and beyond would not be realized, and the cost of keeping this facility open would be considered new spending. The table below displays these unrealized savings by comparing the estimated ongoing expenditures to the currently budgeted amounts. The sum of the unrealized savings and the new estimated capital needs represents the total general fund impact to the Commonwealth.

Fiscal Year	Unrealized Savings (GF)	Capital	GF Impact
FY 2019	\$0	\$2,348,160	\$2,348,160
FY 2020	(2,643,832)	\$17,219,840	\$14,576,008
FY 2021	\$9,423,168	\$0	\$9,423,168
FY 2022	\$14,681,168	\$0	\$14,681,168
FY 2023	\$14,681,168	\$0	\$14,681,168

FY 2024	\$14,681,168	\$0	\$14,681,168
FY 2025	\$14,681,168	\$0	\$14,681,168
FY 2026	\$14,681,168	\$0	\$14,681,168
FY 2027	\$14,681,168	\$0	\$14,681,168
FY 2028	\$14,681,168	\$0	\$14,681,168

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 DMAS 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 \$110,676 per year (\$55,338 GF), while the average cost of a state facility bed at CVTC operated as a 60-bed facility is estimated to be approximately \$444,884 per year (\$244,686 GF).

Additional Impacts

To facilitate the transition of individuals from the training center into the community, DBHDS provides funding to private providers to help develop necessary housing and service capacity in the community. If the facility were to remain open, it is possible that some individuals currently scheduled to transition to the community may choose to instead remain at their respective facility, which could increase operating costs at CVTC, and which may impact those providers who have begun developing community-based housing and serve to discourage further development.

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