

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB325

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

2. Patron: Campbell

3. Committee: Appropriations

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

5. Summary: Provides that the Southwestern Virginia Training Center and Central 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	\$12,211,529	General
2019	\$6,724,300	Nongeneral
2020	\$37,356,317	General
2020	\$6,606,619	Nongeneral
2021	\$20,141,757	General
2021	\$16,479,620	Nongeneral
2022	\$25,399,757	General
2022	\$20,781,620	Nongeneral
2023	\$25,399,757	General
2023	\$20,781,620	Nongeneral

8. Fiscal Implications:

Under this bill, the Southwestern Virginia Training Center (SWVTC) and Central Virginia Training Center (CVTC) would remain open and continue to accept admissions. While it is difficult to accurately predict how many individuals will maintain a residence at the training centers 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, DBHDS assumes that SWVTC will operate at an ongoing census of 60 residents and 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, SWVTC will have no residents by the beginning of FY 2019 and 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 leaving a net ongoing capacity between the two facilities of 120 beds. DBHDS estimates that this will provide sufficient capacity for the remaining residents of both facilities and any new admissions. As of January 22, 2018, CVTC had a census of 113 individuals (anticipated to be 98 at the end of FY 2018) and SWVTC had a census of 55 individuals. The net fiscal impact from these assumptions is displayed in line 7 above.

By keeping the training centers open, the general fund savings included in HB/SB 30 would not materialize. The savings in the introduced budget assumes that SWVTC will close at the end of FY 2018 and 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 Budgets

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 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, SWVTC is assumed to continue to operate at capacity of 60 beds, resulting in yearly operating costs of \$19.5 million all funds, of which \$10.7 million would be general fund and the remaining \$8.8 million would be federal Medicaid revenue. 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. CVTC would be comparatively more expensive to operate than SWVTC due to its age and size.

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

Central Virginia Training Center:

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

Southwestern Virginia Training Center:

All Funds

SWVTC	Baseline Operating Budget	Remaining Open	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

General Fund

SWVTC	Baseline Operating Budget	Remaining Open	Additional Need
FY 2019	\$ 2,500,000	\$ 10,718,589	\$ 8,218,589
FY 2020	\$ -	\$ 10,718,589	\$ 10,718,589
FY 2021	\$ -	\$ 10,718,589	\$ 10,718,589
FY 2022	\$ -	\$ 10,718,589	\$ 10,718,589

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

Total anticipated capital cost, needed immediately: **\$33,274,500**

SWVTC - \$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

CVTC - \$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 facilities remain open. It can be assumed that the actual capital costs over the 10 year period will exceed \$33.3 million.

Total Unrealized Savings

The savings associated with the planned closure of these facilities 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	\$8,218,589	\$3,992,940	\$12,211,529
FY 2020	\$8,074,757	\$29,281,560	\$37,356,317
FY 2021	\$20,141,757	\$0	\$20,141,757
FY 2022	\$25,399,757	\$0	\$25,399,757
FY 2023	\$25,399,757	\$0	\$25,399,757
FY 2024	\$25,399,757	\$0	\$25,399,757
FY 2025	\$25,399,757	\$0	\$25,399,757
FY 2026	\$25,399,757	\$0	\$25,399,757
FY 2027	\$25,399,757	\$0	\$25,399,757
FY 2028	\$25,399,757	\$0	\$25,399,757

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 SWVTC and CVTC operated as a 60-bed facility is estimated to be approximately \$384,845 per year (\$211,665 GF).

Additional Impacts

To facilitate the transition of individuals from the training centers into the community, DBHDS provides funding to private providers to help develop necessary housing and service capacity in the community. If the facilities 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 facilities, 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