

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: SB 1071

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

2. Patron: Peakes

3. Committee: Rehab and Social Services

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

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

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: See 8 below.

Expenditure Impact: NOTE: Estimates are reflected as a change in cost from the currently approved closure plan.

<i>FY</i>	<i>Dollars</i>	<i>Fund</i>
2019	\$0	General
2019	\$0	General
2020	(\$993,832)	General
2020	(\$813,135)	Nongeneral
2021	\$23,571,955	General
2021	\$12,011,865	Nongeneral
2022	\$14,681,168	General
2022	\$12,011,865	Nongeneral
2023	\$14,681,168	General
2023	\$12,011,865	Nongeneral
2024	\$14,681,168	General
2024	\$12,011,865	Nongeneral

8. Fiscal Implications:

Under this bill, closure of the Central Virginia Training Center (CVTC) would be prohibited. The current census is 66 individuals. Based on the current closure plans, it is projected that the facility will have no residents at the end of FY 2020.

By keeping the training center open, the projected general fund savings beginning in fiscal year 2021 associated with closing the facility would not materialize. In addition, funds

would be required to address capital needs to keep buildings open for resident use.

For the purposes of this analysis, it is assumed that CVTC would operate as a 60 bed facility and will continue to take admissions. It is assumed that 90 percent of training center expenditures will be Medicaid reimbursable, requiring a 50 percent general fund match in the Department of Medical Assistance Services (DMAS) operating budget to draw down federal matching funds. The remaining 10 percent likely is not reimbursable under Medicaid, therefore, it is assumed to be a general fund expense. Consequently, this estimate assumes that 55 percent of the estimated overall fiscal impact requires a general fund appropriation. This is in-line with the general fund training center expenses in FY 2018, which ranged from 55 percent to 58 percent. Therefore, the projected general fund budget for 60 beds at CVTC is $\$26,693,033 * 0.55 = \$14,681,168$.

The tables below display the current budgeted operating amounts and assumed out-year savings along with the anticipated total funds and general fund budgets that would be required to maintain operations at 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	\$ 38,055,761	\$ 38,055,761	\$ -
FY 2020	\$ 28,500,000	\$ 26,693,033	\$ (1,806,967)
FY 2021	\$ 10,677,213	\$ 26,693,033	\$ 16,015,820
FY 2022	\$ -	\$ 26,693,033	\$ 26,693,033

General Fund

CVTC	Baseline Operating Budget	Remaining Open	Additional Need
FY 2019	\$ 20,930,669	\$ 20,930,669	\$ -
FY 2020	\$ 15,675,000	\$ 14,681,168	\$ (993,832)
FY 2021	\$ 10,677,213	\$ 14,681,168	\$ 4,003,955
FY 2022	\$ -	\$ 14,681,168	\$ 14,681,168

The introduced budget assumes that the current closure plans progress as planned. As such, funding to support the closure process is included in FY 2020. The impact at CVTC in FY 2020 is displayed as a negative due to the removal of severance, retention bonuses, and Workforce Transition Act (WTA) benefit costs associated with the continued downsizing of staff that would not be necessary expenses should the facility remain open.

If CVTC remains open, savings that would otherwise accrue in future biennia will not materialize. The amounts include estimated savings of \$2,669,303 from the general fund in the training center budget and \$12,011,864 from the general fund at DMAS for a total projected loss of future savings of \$14,681,168.

If CVTC remains open, the costs associated with closure would be avoided. While an exact estimate of avoided closure costs is not known, it is estimated to be or approximately \$10.7 million in FY 2021 (40 percent of the operating budget at \$26,693,033). These estimated costs include additional WTA costs, leave payouts, and salaries for employees who must complete the final personnel and financial duties that happen after closure. After the center closes, DBHDS will not be able to bill those post-closure costs to Medicaid.

Capital Needs

If CVTC is to remain open, its structures will need to be operational to allow for a census of 60 individuals and to move to the lower Rapidan area of the campus. The anticipated capital costs are approximately \$19.6 million. It is likely that these funds would be needed in a staggered fashion over a period of more than one year.

Based on a study conducted by a workgroup of the Joint Subcommittee to Consult on the Plan to Close State Training Centers, renovations likely would be to the Lower Rapidan area of the Central Virginia Training Center, and the following assumptions were used to develop the above stated cost estimate:

- Renovate Building 10 to provide administrative and program space.
- Renovate Building 65 to provide kitchen, maintenance and transportation services.
- Renovate the chiller plant serving the Lower Rapidan.
- Repair/replace sanitary sewer to Building 65 and Lower Rapidan.
- Repair/replace the water service to the campus and Lower Rapidan.
- Repave existing Lower Rapidan roads and complete the new access road and parking.
- Construct a security fence along the defined property limits.
- No buildings on the current central campus area will remain in use to avoid the necessity of infrastructure upgrades and the need for significant capital investment in renovations of remaining buildings.
- Services such as dental, medical clinic, barber and beauty shops, etc. will be provided by the community in privately owned facilities.

Total Costs

The savings associated with the planned closure of CVTC were figured into the costs of providing community services for the target population served under the court-approved settlement agreement. While continuing operations at CVTC does not require a budget amendment this year, if this legislation is enacted, the savings in HB1700/SB1100 that would have resulted from the declining census and accompanying staff reductions in FY 2019 and beyond would not be realized. The table below displays these unrealized savings as future costs to keep the facility open. The sum of the unrealized savings and the new estimated capital needs represents the total general fund impact to the Commonwealth.

Fiscal Year	Operating GF Impact	Capital	Total GF Impact
FY 2019	\$0	\$0	\$0
FY 2020	(\$993,832)	\$0	(\$993,832)
FY 2021	\$4,003,955	\$19,568,000	\$23,571,955
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 if individuals choose not to transition out of the facility, 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).

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.