

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 612 (Senator Giannetti, *et al.*)
 Judicial Proceedings

Juvenile Services - Intensive Alcohol Abuse and Drug Abuse Treatment -
 Facilities

This bill requires the Department of Juvenile Services (DJS) to establish and maintain at least four facilities that offer intensive alcohol abuse and drug treatment with at least 40 beds each.

Fiscal Summary

State Effect: DJS general fund expenditures would increase by \$1.8 million in FY 2006 due to the opening and maintenance of three new substance abuse treatment facilities. Out-years reflect annual salary growth, increases in fringe benefits, and ongoing operating expenses. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,808,300	677,700	1,027,900	1,402,800	1,814,500
Net Effect	(\$1,808,300)	(\$677,700)	(\$1,027,900)	(\$1,402,800)	(\$1,814,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: DJS may establish and operate facilities necessary to diagnose, care for, train, educate, and properly rehabilitate children who need these services. DJS may also place children in group homes and institutions that are operated by private providers and

reimburse the providers for the services. DJS may not, however, place a child in a facility that is not operating in compliance with State licensing laws.

Background: Children who have been diagnosed in need of substance abuse services are provided targeted drug treatment through certified substance abuse treatment programs at seven State-owned and operated facilities: the Young Women's Program; Charles H. Hickey, Jr. School; the four Youth Centers; and the William Donald Schaefer House. Two DJS vendors, Morning Star Youth Academy and the Thomas O'Farrell Youth Center, also provide substance abuse services.

DJS currently operates one 40-bed substance abuse facility at Meadow Mountain Youth Center in Garrett County, a smaller facility for 19 children at William Donald Schaefer House in Baltimore City, and purchases residential substance abuse treatment services, with an average daily population of 95 children, through per diem contracts.

State Expenditures: General fund expenditures could increase by an estimated \$1,808,332 in fiscal 2006, which accounts for a 180-day delayed start-up from the October 1, 2005 effective date. This estimate reflects the cost of hiring 44 staff persons per new facility – including program managers, resident advisors, youth supervisors, juvenile counselors, transportation staff, substance abuse counselors, teachers, food service/dietary persons, and medical staff. It includes salaries, fringe benefits, rehabilitation costs for the new centers, one-time start-up costs, and ongoing operating expenses and further reflects a \$1,943,700 reduction in general fund expenditures, resulting from the elimination of the current per diem placements.

The information and assumptions used in calculating the estimate are stated below:

- 180-day start-up delay;
- \$500,000 rehabilitation costs at three existing DJS facilities;
- new centers are being used to replace private capacity, rather than expand treatment opportunities; and
- the existing 19-bed William Donald Schaefer House treatment facility will remain open.

Salaries and Fringe Benefits	\$2,083,052
Rehabilitation Costs	1,500,000
Other Operating Expenses	168,980
Contractual Services Reduction	<u>(1,943,700)</u>
Total FY 2006 State Expenditures	\$1,808,332

All construction/rehabilitation costs were centered in the first year. Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The bill may also result in the reduction of DJS federal funds. DJS currently recovers both Medicaid and Title IV-E funds for eligible youth in private placements. Costs for youth in State-owned and operated facilities are not eligible for these programs. The exact impact is indeterminate, because the amounts vary.

Small Business Effect: Potential meaningful negative effect on small businesses. Private providers of substance abuse treatment services could lose their contracts with DJS under this bill, as the new State-operated treatment capacity would exceed the number of treatment beds for which DJS is currently contracting. This bill would eliminate DJS' need to contract with approximately six private providers of substance abuse services.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Juvenile Services, Department of Health and Mental Hygiene, Department of Legislative Services

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