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Developmental Disabilities Administration
Department of Health and Mental Hygiene

Operating Budget Data

($ in Thousands)

	FY 00 Actual	FY 01 Working	FY 02 Allowance	Change	% Change Prior Year
General Fund	$295,049	$318,781	$344,782	$26,001	8.2%
Special Fund	11,399	9,068	9,119	51	0.6%
Federal Fund	100,395	113,327	124,944	11,616	10.3%
Reimbursable Fund	594	546	589	43	7.9%
Total Funds	**$407,437**	**$441,722**	**$479,433**	**$37,712**	**8.5%**

- Most growth in the allowance is attributable to $33.5 million for the Waiting List Initiative. The remainder stems from salary increases for existing personnel.

Personnel Data

	FY 00 Actual	FY 01 Working	FY 02 Allowance	Change
Regular Positions	1,485.70	1,472.70	1,472.70	0.00
Contractual FTEs	92.59	87.42	75.05	(12.37)
Total Personnel	**1,578.29**	**1,560.12**	**1,547.75**	**(12.37)**

Vacancy Data: Regular

Budgeted Turnover: FY 02	90.87	6.17%
Positions Vacant as of 12/31/00	121.80	8.27%

- The decrease in contractual personnel is the result of deinstitutionalization, which has reduced the need for contractual support at the State residential centers.

- Although not apparent in the above chart, the fiscal 2001 working appropriation contains 13 fewer regular positions than the fiscal 2001 appropriation. As a result of deinstitutionalization, the Department of Health and Mental Hygiene (DHMH) abolished 7.0 positions and transferred the remaining positions.

- Actual turnover should approach budget turnover as some vacant positions are filled after they transferred from the State residential centers to community services.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Issues

Waiting List Initiative Enters Its Fourth Year in Fiscal 2002: With an additional $33.5 million, the Developmental Disabilities Administration (DDA) expects to continue eliminating the backlog of clients waiting for community services. **The Department of Legislative Services (DLS) recommends the agency continue to include measures for the Waiting List Initiative in its Managing for Results (MFR) plan.**

Provider Rates Continue To Be an Issue: There is growing concern among legislators about the impact of low wages on the developmental disabilities field. **DLS recommends budget bill language that requires DDA to gather baseline wage and benefits data as well as develop a plan to address the issue.**

In the Wake of the Olmstead Decision, DDA Embarks on a Plan for Deinstitutionalization: DDA plans to continue its efforts to move clients from State residential centers to community services. As a result, the institutionalized population is declining. **DLS recommends budget bill language that requires DDA to develop a plan to consolidate living units at each facility.**

Court Ordered Admissions Increase at Rosewood Center: As a result of an increase in court ordered admissions, the Rosewood Center must face a number of security and programmatic issues. **DLS recommends that the agency discuss the issue.**

DDA Considers Adding Support Services to the Medicaid Waiver: In its next waiver application, DDA may request federal reimbursement for in-home support services. However, there are some disadvantages in adding these services to the waiver. **DLS recommends the agency discuss the issue.**

DDA Updates Its Payment System: In fiscal 2002, DDA plans to incorporate supported employment contracts and augmentation grants in its fee payment system. **DLS recommends reductions to augmentation grants because they should be adjusted for utilization rates, just as other types of services are adjusted.**

Recommended Actions

		Funds
1.	Add language which mandates DDA to require community providers to use salary increases to enhance the wages of direct service workers.	

		Funds
2.	Add language that restricts $50,000 in general funds until the agency submits a report, including a time table, on enhancing wages and benefits for direct service workers.	
3.	Add language that restricts $50,000 in general funds until the agency submits a plan on the collection and analysis of annual wage and benefit data.	
4.	Add language that requires the agency to report on plans for consolidation of living units at the State residential centers as a result of deinstitutionalization.	
5.	Add language that restricts the agency from transferring positions from the Developmental Disabilities Administration to other areas of DHMH.	
6.	Reduce the appropriation for community services because the conversion of augmentation grants to the fee payment system should yield savings.	$ 711,000
7.	Reduce overtime for contractual employees in administrative areas because overtime costs are overbudgeted.	$ 176,000
	Total Reductions	**$ 887,000**

Updates

State Treasurer Reports on Community Services Trust Fund: In a response to the 2000 *Joint Chairmen's Report*, the State Treasurer discusses how its investments from the Community Services Trust Fund are limited by statute.

Operating Budget Analysis

Program Description

The Developmental Disabilities Administration (DDA) is responsible for planning, developing, and directing a statewide system of services for the developmentally disabled and their families. A developmental disability is a severe chronic disability attributable to a mental or physical impairment or both, manifested before age 22, which results in substantial functional limitations in major life activities and which is likely to continue indefinitely. Some examples of developmental disabilities are mental retardation, cerebral palsy, multiple sclerosis, autism, deafness, or traumatic head injuries.

The budget includes funding for:

- eight community-based services;
- four State residential facilities; and
- program direction and administration.

The administration has two primary goals: 1) an emphasis on deinstitutionalization; and 2) the development of community services and programs. Since fiscal 1987, the number of individuals with developmental disabilities receiving residential services in a community setting has exceeded the number of individuals in State residential centers.

Governor's Proposed Budget

The fiscal 2002 allowance increases by $37.7 million, or 8.5% over the fiscal 2001 working appropriation, as shown in **Exhibit 1**. About 12% of the increase is the result of higher salary expenses for existing personnel. The remainder stems from the impact Waiting List Initiative and deinstitutionalization.

Administration

Administration's expenses increase by $0.7 million, almost entirely as a result of personnel costs. Some of the higher costs are the result of six positions transferred from the State residential centers. The remaining costs are the result of increases for existing employees.

Community Services

With a $33.5 million increase for the Waiting List Initiative and $1.1 million for regional coordinating offices, the allowance for community services reaches $407 million, as demonstrated by **Exhibit 2**. Under community services, DDA supports residential, day, and in-home support services for over 20,000 clients.

Exhibit 1

Governor's Proposed Budget
Developmental Disabilities Administration
($ in Thousands)

How Much It Grows:	**General Fund**	**Special Fund**	**Federal Fund**	**Reimbursable Fund**	**Total**
2001 Working Appropriation	$318,781	$9,068	$113,327	$546	$441,722
2002 Governor's Allowance	344,782	9,119	124,944	589	479,433
Amount Change	$26,001	$51	$11,616	$43	$37,712
Percent Change	8.2%	0.6%	10.3%	7.9%	8.5%

Where It Goes:		
Personnel Expenses (primarily at the State residential centers)	**$4,626**	
Fiscal 2002 general salary increase		981
Increments, fiscal 2001 increase phase-in and other		1,230
Turnover adjustments		695
Fringe benefit adjustments		1,720
Waiting List Initiative	**$33,519**	
Expanding community services		19,562
Cost-of-living adjustment (includes fiscal 2002 and annualization of fiscal 2001)		9,276
Deinstitutionalization initiative		3,181
Rate enhancement for supported employment		1,500
State Residential Centers	**($498)**	
Reduction in non-personnel expenses as a result of falling census		(271)
Transfer of funds from the Potomac Center to the Waiting List Equity Fund, as		(227)
Other Expenses	**$65**	
Miscellaneous operating expenses		65
Total		**$37,712**

Note: Numbers may not sum to total due to rounding.

Exhibit 2

Growth in the DDA Allowance
($ in Millions)

	FY 2001 Working Approp.	FY 2002 Allowance	Change $	Change %
Administration	$4.3	$5.0	$0.7	16%
Community Services	371.8	406.5	34.7	9%
State Residential Centers				
Rosewood	36.7	37.6	0.9	2%
Holly	15.7	16.6	0.9	6%
Potomac	9.1	9.5	0.4	4%
Brandenburg	4.1	4.2	0.1	2%
Subtotal	65.6	67.9	2.3	4%
Total	**$441.7**	**$479.4**	**$37.7**	**9%**

Source: Maryland State Budget

Funding for community services is provided by general funds (67%), special funds (2%), and federal funds (31%). Special funds are drawn primarily from the Dedicated Purpose Fund, which holds federal funds that should have been used before general funds in fiscal 1997, and the Waiting List Equity Fund, which holds savings from downsizing at the institutions. Federal funds are received under a Medicaid waiver that reimburses DDA for a portion of residential and day services. More information on community services may be found in the discussion of the Waiting List Initiative in the Issues section.

State Residential Centers

The allowance for the State residential centers increases by $2.3 million, or 4%. This increase is almost entirely responsible for the growth in personnel expenses shown in Exhibit 1. However, the Potomac Center's growth in personnel expenses was offset by the transfer of $227,000 to the Waiting List Equity Fund, as mandated by the fiscal 2001 budget bill. With the closing of a cottage in fiscal 2000, the Potomac Center was able to function with fewer positions. The transfer of regular positions at other centers also offsets growth in personnel costs.

The allowance also reflects a reduction of $271,000 in operating expenses as a result of deinstitutionalization. This figure does not reflect the full reduction because it is offset by inflation in the base and one-time only costs for equipment. The impact of deinstitutionalization on the State residential centers is discussed in more detail in the Issues section.

Performance Analysis: Managing for Results

Community Services

In its Managing for Results (MFR) plan for community services, DDA has selected performance measures that reflect major programmatic and administrative initiatives, as shown in **Exhibit 3**. These measures will facilitate the evaluation of the Waiting List Initiative, the deinstitutionalization plan, and a new electronic billing system.

State Residential Centers

The State residential centers (SRCs) focused on the deinstitutionalization plan and quality of life measures in their MFR plans. Each plan estimates the number of eligible individuals who will be moved into community services during fiscal 2001 and 2002. Quality measures indicate how the remaining residents will be better served. These measures, such as the percentage of living units with self-advocacy groups, reflect a shift in philosophy in both the SRCs and community providers. Instead of meeting a client's needs with a standard set of services, providers are focusing more on the preferences of each client.

Exhibit 3

Program Measurement Data
Developmental Disabilities Administration
Fiscal 1999 through 2002

	Actual 1999	Actual 2000	Est. 2001	Est. 2002	Ann. Chg. 99-00	Ann. Chg. 00-02
Community Services						
# of individuals served	17,401	18,281	19,001	20,333	5%	5%
# of individuals who are eligible for the Waiting List Initiative who have begun receiving service	1,774	2,548	3,617	4,819	44%	38%
# of individuals on Medicaid waiver	3,884	3,659	4,717	5,656	-6%	24%
% of clients for whom DDA can track individual expenditures	0	0	0	66%	n/a	n/a
State Residential Centers						
Rosewood						
# of residents moved into the community	25	24	25	29	-4%	10%
% of living units with self-advocacy groups	33%	33%	66%	100%	0%	74%
Holly Center						
# of residents moved into the community	2	4	15	20	100%	124%
% of living units with self-advocacy groups*	0%	0%	50%	100%	n/a	100%
Potomac Center						
# of residents moved into the community	10	5	12	12	-50%	55%
% of customer satisfaction in biennial survey	95%	**	95%	**	n/a	n/a
Brandenburg Center						
# of residents moved into the community	0	0	4	4	-2%	-5%
% of residents who will "choose personal goals"	75%	75%	80%	82%	0%	5%

* Annual change from fiscal 2000 to 2002 only reflects the change from fiscal 2001 to 2002.
** Customer satisfaction figure not available since it is only measured biennially.

Source: Department of Health and Mental Hygiene

Issues

1. Waiting List Initiative Enters Its Fourth Year in Fiscal 2002

Funding

After years of intensive lobbying, advocacy groups for the developmentally disabled succeeded in gaining the Governor's and General Assembly's support for a five-year initiative to reduce the waiting list for community services. Additional funding will significantly reduce the backlog of 5,000 disabled individuals who were on the waiting list as of fiscal 1998. Delays in placement have created substantial physical, emotional, and financial stress on disabled individuals and their families.

As shown in **Exhibit 4**, the total cost of the initiative is $144 million over the five-year period. This cost is $26 million above the initial estimate primarily because of increases in provider rates. The initiative is supported by general, special, and federal funds. Special funds come from the Waiting List Equity Fund, which was established to use savings from deinstitutionalization for community services. Federal funds are obtained under a Medicaid waiver, which supports many of DDA clients who are over 18 years old.

Exhibit 4

Incremental Costs of the Waiting List Initiative
($ in Millions)

	Fiscal 1999	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Total
Expenses						
Community Services	$25.3	$21.8	$8.6	$19.5	$16.4	$91.6
Provider Rate Increases	8.9	9.7	16.8	10.8	1.5	47.7
Deinstitutionalization			1.3	3.2		4.5
Total	**$34.2**	**$31.5**	**$26.7**	**$33.5**	**$17.9**	**$143.8**
Fund Source						
General	$13.0	$15.0	$19.8	$22.2	$16.7	$86.7
Special						
Dedicated Purpose Fund	5.0	0.0	0.0	0.0	(5.0)	0.0
Waiting List Equity	0.0	0.6	0.5	0.0	0.0	1.1
Local Match	0.9	0.5	(3.9)	0.0	0.0	(2.5)
Prior Year Grants	0.0	0.0	1.3	0.0	0.0	1.3
Federal Funds	15.3	15.5	9.0	11.3	6.2	57.3
Total	**$34.2**	**$31.5**	**$26.7**	**$33.5**	**$17.9**	**$143.9**

Note: Numbers may not sum due to rounding
Source: Department of Health and Mental Hygiene

Services Provided under the Initiative

DDA estimates that it will provide 5,977 clients with 8,682 services by the end of the Waiting List Initiative, as shown in **Exhibit 5**. The most recent report on the initiative indicates that the department will likely exceed this estimate, with 2,908 clients already served by December 2000. Funding can stretch further because clients are choosing in-home support services which are less expensive than more traditional residential services. **With the magnitude of the funding increase, DLS recommends that the department continue integrating Waiting List Initiative measures, including number of clients served and number of services provided, into its MFR plan. These measures will allow legislators to evaluate the department's progress.**

Exhibit 5

Additional Clients Served by the Waiting List Initiative
Fiscal 1999 through 2003

Program	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
Transitioning Youth	315	275	275	275	275	1,415
Emergencies						
Residential	160	100	80	60	40	440
Day	272	115	95	75	55	612
Support	180	180	180	180	180	900
Waiting List						
Residential	250	150	150	150	150	850
Day	300	200	200	200	200	1,100
Support -- Children	800	300	300	300	300	2,000
Support -- Adults	625	185	185	185	185	1,365
Total Services	2,902	1,505	1,465	1,425	1,385	8,682
Total Clients	**2,177**	**980**	**960**	**940**	**920**	**5,977**

Source: Department of Health and Mental Hygiene

2. Provider Rates Continue To Be an Issue

Background

There is growing concern among legislators about the impact of low wages on the developmental disabilities field. These low wages have contributed to a high turnover and vacancy rate for direct service workers. Such instability in the workforce can compromise the quality of services.

Funding for Rate Increases

Provider rate increases have been an integral part of the Waiting List Initiative. As shown in Exhibit 4, DDA projects that at least $47.7 million will have been dedicated to provider rate increases by fiscal 2003, the fifth year of the initiative. Some of these increases are linked to the general salary increase for State employees, while other increases are related to changes in the structure of rate system. The fiscal 2002 increase includes:

- $3.5 million for the annualization of the fiscal 2001 general salary increase;
- $5.8 million for a fiscal 2002 general salary increase based on the adjustment for State employees; and
- $1.5 million to convert supported employment contracts into a fee for service payments.

Assuring that Rate Increases Benefit Direct Service Workers

Developmental Disabilities Administration

Both DDA and advocates strongly contend that providers are using rate increases to raise the wages of direct service workers. However, legislators have expressed some reluctance to approve funding without more evidence Therefore, the General Assembly added language to the fiscal 2001 budget bill that requires DDA to ensure community providers are using funds appropriately. DDA is meeting this mandate in the following two ways:

- Through a letter, DDA notified providers that the General Assembly intends the rate increase to be used for direct service wages; and
- DDA plans to audit providers' cost reports to determine if the increase was spent on salaries. If the auditors determine that funds were used for other purposes, DDA will require the funds to be returned.

DLS recommends that the General Assembly adopt budget bill language that is similar to the fiscal 2001 budget bill language. The fiscal 2002 budget bill language should require providers to use the increase associated with the general salary increase to enhance wages.

Community Services Reimbursement Rate Commission

The Community Services Reimbursement Rate Commission is also monitoring increases in community service wages. With data from a fiscal 2001 survey, the commission estimated that the hourly rates for several categories of front-line workers falls in the range of $8.19 to $9.73. While the results of this survey provide some insight into the level of compensation, they cannot be considered conclusive. Out of 100 surveys mailed, the commission only received 24 responses. Since some of the 24 respondents were not the same as the fiscal 2000 respondents, the data is too inconsistent to be compared from year to year.

Given the level of interest in the wage issue, it is imperative that legislators have an accurate assessment of salaries and benefits of direct services workers. However, the accuracy of the commission's estimates is compromised by the low response rate from providers. Therefore, DLS recommends budget bill language that makes $50,000 of DDA's administration budget contingent upon a report to the General Assembly that verifies that DHMH has met the following conditions:

- **DHMH has modified its regulations to require community providers to respond to an annual salary and benefits survey;**
- **DHMH has developed a wage and benefit survey, in consultation with the Community Services Reimbursement Rate Commission;**
- **DHMH has outlined a plan for administering the survey on an annual basis, including a survey that collects baseline salary and benefits data for fiscal 2001; and**
- **in its contract with the Community Services Reimbursement Rate Commission, DHMH has required the commission to analyze the fiscal 2001 baseline and report the results to the General Assembly by January 1, 2002.**

Looking Ahead to Fiscal 2003

In preparation for the fiscal 2002 budget process, the General Assembly directed DDA to develop a plan to close the salary and benefits gap between direct service workers in community settings and their counterparts in State institutions. DDA reported that it would cost approximately $117 million in general and federal funds to accomplish this task. However, DDA did not provide a timeframe for phasing-in a funding increase, as requested by budget bill language. **Therefore, DLS recommends budget bill language that makes $50,000 of DDA's administration budget contingent upon a report to the General Assembly that outlines DHMH's plan to enhance the salaries and benefits of direct service workers in community settings. The report should include a timetable for phasing-in increases to community providers for direct service workers. The report should be submitted by December 1, 2002.**

3. In the Wake of the Olmstead Decision, DDA Embarks on a Plan for Deinstitutionalization

Summary of the Case

The recent Supreme Court decision on the Olmstead case has recently focused attention on the question of the rights of the developmentally disabled to live in community settings. The long-term implications of the Olmstead decision are not clear since the court recognized that states are often faced with limited resources for community placements. However, the decision does specify that states must make a reasonable effort to move residents out of institutions.

Moving Residents into the Community

In response to the Olmstead decision, DDA began implementing a deinstitutionalization plan in fiscal 2001. DDA expects to move out 56 residents in fiscal 2001 and 65 residents in fiscal 2002. These moves are funded by $3.2 million in the fiscal 2002 allowance. This amount is below the $6.2 million recommended by the Community Access Steering Committee, but DLS notes that it is unlikely that DDA could move people quickly enough to spend $6.2 million.

The State residential centers evaluate residents to determine if they are eligible for community placement. To be a candidate, the following conditions must be met:

- the resident must want to be placed in the community;
- a community provider must be able to meet the candidate's needs; and
- the resident's family is supportive. DDA generally does not proceed with placement if the family is not supportive, except when a resident wants to move. In this case, DDA places more importance on the preferences of the resident.

It is not clear if DDA will meet its goal of 56 placements in fiscal 2001. There has been difficulty in placing some residents because of their complex behavioral issues. In anticipating this delay, the General Assembly reduced the fiscal 2001 appropriation for this initiative by $187,500. DLS is not recommending reducing the appropriation in fiscal 2002 because the proposed funding level likely understates the amount needed.

Impact on the State Residential Centers in Fiscal 2002

If DDA meets its deinstitutionalization goals, the population at the State residential centers will drop by 19% by the end of fiscal 2002, as shown in **Exhibit 6**. A decrease of this magnitude has both short-term and long-term implications.

In a report to the joint chairmen, DDA estimated that the fiscal 2002 allowance includes a $2.3 million or 3% reduction for the State residential centers. Savings come from lower variable costs for items such as food, utilities, and direct staff. This estimate is supported by a comparison of the growth in DDA and Mental Hygiene Administration (MHA) facilities. In fiscal 2002, the allowance includes an 8.3% increase for MHA facilities and 4% for DDA facilities. The demonstrated savings are transferred from the residential centers to the Waiting List Equity Fund at the end of each fiscal year.

Exhibit 6

Impact of Deinstitutionalization on State Residential Centers

Average Daily Census	FY 1999 Actual	FY 2000 Actual	FY 2001 Estimate	FY 2002 Estimate	Three Year Decrease
Rosewood	278	255	242	222	-20%
Holly Center	161	154	144	130	-19%
Potomac Center	101	96	89	80	-21%
Brandenburg Center	44	43	42	39	-11%
Total	**584**	**548**	**517**	**471**	**-19%**

Source: Department of Health and Mental Hygiene

Some of the savings that DHMH identified come from a reduction of 24 regular positions. As mandated by the budget bill in fiscal 2001, 7 of the positions were abolished. Of the remaining positions, 12 positions were retained by DDA in administration and community services and 5 positions were transferred to other areas of DHMH. **Since the transferred positions are still funded, there are no real savings to the State. DLS contends that it would have been more appropriate for DHMH to have abolished the positions that were not needed by DDA.** It was appropriate for DDA to have retained some of the positions because deinstitutionalization has shifted workload to the regional community services offices and administration. The regional offices have a number of contractual positions that could potentially be converted to regular positions. **Therefore, DLS recommends budget bill language that restricts DHMH from transferring positions out of DDA. DHMH should either abolish the positions or place them in programs related to community services. DLS plans to evaluate the appropriateness of any transfers when reviewing next year's budget.**

Looking Beyond Fiscal 2002

DDA has not developed any consolidation plan for the residential centers beyond fiscal 2002. With declining populations, the residential centers should be able to consolidate living units to improve efficiency. This process can be lengthy because the needs of residents must be considered. It is preferable that individuals are placed with residents with whom they are compatible. Nevertheless, DDA should begin the planning process now. **Therefore, DLS recommends budget bill language that requires DHMH to report to the committees on plans to consolidate living units at the State residential centers.**

4. Court Ordered Admissions Increase at Rosewood Center

Rosewood Center is the only residential center which still accepts admissions. These admissions are almost exclusively court-ordered. From 1996 to 1999, these admissions averaged about eight per year, but court ordered admissions increased to 21 in 2000. These admissions could continue to increase, especially if the General Assembly passes HB 450 of 2001, also known as Christopher's Law. The bill places more responsibility onto DHMH for criminal justice clients who have a developmental disability.

Court-ordered admissions create operational issues for Rosewood. The most significant issues are as follows:

- **Security:** The Rosewood Center was not constructed to house residents who could pose a threat to public safety. Although these residents live in a locked living unit, the facility is not as secure as detention centers or prisons.

- **Impact on Other Residents:** It is often not appropriate to mix court-ordered residents with the other residents. Therefore, Rosewood faces the challenge of separating the two populations in daily activities.

DLS recommends that DDA discuss the challenges created by court-ordered admissions at Rosewood.

5. DDA Considers Adding Support Services to the Medicaid Waiver

Under the current Medicaid waiver, DDA receives federal reimbursement for residential and day services provided to eligible clients. However, the federal government does not reimburse DDA for in-home support services. These programs can include services ranging from wheel chair ramps to respite care. DDA may consider requesting reimbursement for these services in its upcoming waiver application which is due in March 2003.

The $28 million family and individual support programs are entirely supported by general and special funds. **If DDA were to receive federal reimbursement for support services, DDA could either serve more clients or reduce general funds.** Without knowing how many clients would qualify for the waiver under support services, determining the potential level of federal reimbursement is difficult.

There may be some disadvantages to including support services under the waiver. These disadvantages are as follows:

- **Loss in Flexibility:** DDA has great flexibility in administering the support programs. Without the administrative burden of placing clients into a waiver slot, DDA may deliver services more quickly.

- **Increasing the State's Financial Liability:** If support services were placed under the waiver, the State may increase its financial liability because Medicaid is an entitlement program. Without limitations on caseload, the State might be obligated to serve any individual who qualifies for the program. The number of eligible individuals could be substantial, as the program serves both developmentally and functionally disabled individuals. Therefore, DDA might have to consider limiting liability by capping the number of participants in the program or making services contingent upon the availability of funds.

DLS recommends that DDA discuss its plans to evaluate the possibility of putting support services under the Medicaid waiver.

6. DDA Updates Its Payment System

DDA pays providers for the bulk of services through the fee payment system (FPS). Under FPS, DDA bases payments on the intensity of residential and day services delivered for each client. In fiscal 2002, the administration plans on expanding FPS to include supported employment and augmentation grants.

- **Supported Employment:** This program supports clients who work in the community. DDA plans to convert the payment mechanism from contracts to FPS in fiscal 2002 and 2003. This conversion is funded by a $1.5 million rate enhancement under the Waiting List Initiative. More funding is needed because the current contract system reimburses providers at a lower level than the FPS system.

- **Augmentation Grants:** Augmentation grants fund additional staff support for clients with greater-than-average needs in residential and day programs. DDA plans to convert these grants into FPS during fiscal 2002. **DLS advises that the conversion of augmentation grants to FPS will save money. Therefore, funding for augmentation grants should be adjusted to reflect that providers will not be paid for long-term absences or vacancies. This same adjustment is applied to other services funded under FPS. The result is a savings of $490,000 in general funds and $221,000 in federal funds.**

There should be improvements in the administration of FPS, as DDA is almost ready to implement a new electronic billing system. The system will allow them to track the cost of each client, which will make it easier for DDA to manage its funds.

Recommended Actions

1. Add the following language:

   Further provided that the agency require that providers will increase the salaries of direct service workers as a condition of receiving additional funds for salary enhancements.

   Explanation: The General Assembly is concerned about the level of wages for direct service workers in community-based settings. By requiring that providers use salary enhancements to increase the wages of direct service workers, the General Assembly intends to ensure that there will an increase in the wages of direct service workers.

2. Add the following language:

   Further provided that $50,000 of this appropriation may not be spent until the agency submits a plan, including a time table, to the General Assembly on enhancing the wages and benefits of direct service workers who are employed by community service providers. The report should be submitted by December 1, 2001. The budget committees shall have 45 days to review and comment upon the plan.

   Explanation: The General Assembly is concerned that the low wages and poor benefits for direct services workers is impacting the quality of services offered by community providers. Therefore, the Department of Health and Mental Hygiene should submit a plan, including a time table, for enhancing the wages and benefits of direct service workers.

3. Add the following language:

   , provided that $50,000 of this appropriation may not be expended until the agency has submitted a report to the General Assembly that verifies the agency has met the following conditions:

   (1) modified regulations to require community providers to respond to an annual wage and benefits survey. The purpose of the survey should be to collect information on wages and benefits for employees of community services providers, particularly for direct services workers;

   (2) developed an annual wage and benefit survey, in consultation with the Community Services Reimbursement Rate Commission;

   (3) developed a plan for administering an annual wage and benefit survey, including a survey that collects baseline data for fiscal 2001;

   (4) required the Community Services Reimbursement Rate Commission in its fiscal 2002 contract to analyze fiscal 2001 baseline data and report its findings to the General Assembly by January 1, 2002. The commission's report should include the average wages of direct service workers.

The agency should submit the plan by September 1, 2001. The committees shall have 45 days to review and comment on the plan.

Explanation: The General Assembly is concerned about the low wages of direct services workers who are employed by community providers. However, it is difficult to address the problem without adequate data. Therefore, the language makes $50,000 of general funds contingent upon the Department of Health and Mental Hygiene developing an annual wage and benefit survey, mandating that community providers respond to the survey, establishing a plan to collect data, and requiring the Community Services Reimbursement Rate Commission to analyze baseline data.

Information Request	**Author**	**Due Date**
Report on wage and benefit survey	DHMH	By September 1, 2001, and before funds are expended

4. Add the following language:

Further provided that the agency submit a plan to the General Assembly on consolidation of living units at the Developmental Disabilities Administration's State residential centers by December 1, 2001.

Explanation: With the implementation of the deinstitutionalization initiative, the State residential centers will have fewer residents. Thus, the Department of Health and Mental Hygiene should study the possibility of consolidating living units at State residential centers.

Information Request	**Author**	**Due Date**
Plan on the consolidation of living units at State residential centers	DHMH	December 1, 2001

5. Add the following language:

The Department of Health and Mental Hygiene may not transfer positions from the Developmental Disabilities Administration to other areas of the department. If positions are not needed in the State residential centers because of deinstitutionalization, the department should either transfer these positions to community services-related programs or eliminate the positions. It is the intent of the General Assembly to review the appropriateness of any transfer of positions to community services- related programs when making decisions about the fiscal 2003 budget.

Explanation: As residents of State residential centers move into the community, there should be savings as some positions will no longer be needed. With this language, the General Assembly is requiring the department to either transfer these positions to community services-related programs or abolish these positions. Transferring the positions to community services may be justified because the deinstitutionalization initiative has shifted some of the workload from the State residential centers to community services. If the positions are not needed, they should be eliminated so that the State may realize the savings from deinstitutionalization. The General Assembly intends to review the appropriateness of any transfer from the State residential centers to community services-related programs in the fiscal 2003 budget cycle.

		Amount Reduction	
6.	Reduce the appropriation for community services because the conversion of augmentation grants to the fee payment system should yield savings. The payments for augmentation of services should be adjusted to reflect long-term absences and vacancies, just as payments for other services are adjusted.	$ 490,000 $ 221,000	GF FF
7.	Reduce overtime for contractual employees in administrative areas because overtime costs are overbudgeted, since most administrative contractual positions are budgeted with 10% overtime. This rate far exceeds the overtime rate for regular employees.	$ 176,000	GF
	Total Reductions	**$ 887,000**	
	Total General Fund Reductions	**$ 666,000**	
	Total Federal Fund Reductions	**$ 221,000**	

Updates

1. State Treasurer Reports on Community Services Trust Fund

In response to a request in the 2000 *Joint Chairmen's Report*, the State Treasurer wrote a letter outlining the factors behind the interest rate earned by the Community Services Trust Fund. The treasurer reported that investment options are limited to the type of securities allowed under statute. Investing in equities would require legislation. However, the treasurer noted that the State's accounts were earning a higher interest rate than the previous year, at the time his letter was written. Thus, growth in the Community Services Trust Fund in fiscal 2001 could exceed growth in fiscal 2000. However, such a result is dependent upon market conditions.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets

Developmental Disabilities Administration

($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2000					
Legislative Appropriation	$295,125	$11,179	$104,263	$437	$411,004
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	(75)	270	70	174	439
Reversions and Cancellations	0	(50)	(3,939)	(17)	($4,006)
Actual Expenditures	**$295,049**	**$11,399**	**$100,395**	**$594**	**$407,437**
Fiscal 2001					
Legislative Appropriation	$318,781	$9,068	$113,327	$546	$441,722
Budget Amendments	0	0	0	0	0
Working Appropriation	**$318,781**	**$9,068**	**$113,327**	**$546**	**$441,722**

Note: Numbers may not sum to total due to rounding.

Fiscal 2000

The general fund appropriation decreased by a net of $75,248. This decrease is the product of a $1.1 million reduction in community services and an increase of $1.2 million for the implementation of the new pay plan and deferred compensation. Community services needed less funding because of a decrease in the utilization rate. This decreased rate was incorporated into the fiscal 2002 expense projections.

The special fund appropriation increased by $270,023 as a result of more donations at the State residential centers and funding to cover costs associated with inclement weather. About $50,000 of these funds were not spent.

The federal fund appropriation increased by $70,451 because of higher federal reimbursement. Over $3.9 million was cancelled because of higher than anticipated vacancy rates.

The reimbursable funds appropriation increased primarily to support Waiting List Initiative expenses in the regional offices.

Object/Fund Difference Report
DHMH - Developmental Disabilities Administration

Object/Fund	FY00 Actual	FY01 Working Appropriation	FY02 Allowance	FY01 - FY02 Amount Change	Percent Change
Positions					
01 Regular	1485.70	1472.70	1472.70	0	0%
02 Contractual	92.59	87.42	75.05	(12.37)	(14.2%)
Total Positions	**1578.29**	**1560.12**	**1547.75**	**(12.37)**	**(0.8%)**
Objects					
01 Salaries and Wages	$ 58,240,443	$ 60,708,513	$ 65,334,490	$ 4,625,977	7.6%
02 Technical & Spec Fees	3,356,308	3,238,565	3,208,969	(29,596)	(0.9%)
03 Communication	379,105	414,112	359,123	(54,989)	(13.3%)
04 Travel	74,889	89,631	90,374	743	0.8%
06 Fuel & Utilities	1,459,596	1,596,893	1,543,682	(53,211)	(3.3%)
07 Motor Vehicles	352,382	331,236	274,873	(56,363)	(17.0%)
08 Contractual Services	339,763,826	371,553,393	404,822,734	33,269,341	9.0%
09 Supplies & Materials	2,836,961	2,824,128	2,793,958	(30,170)	(1.1%)
10 Equip - Replacement	418,974	405,987	463,391	57,404	14.1%
11 Equip - Additional	195,726	48,925	78,205	29,280	59.8%
12 Grants,Subsidies,Contr	142,189	261,037	261,037	0	0%
13 Fixed Charges	216,102	249,272	202,562	(46,710)	(18.7%)
Total Objects	**$ 407,436,501**	**$ 441,721,692**	**$ 479,433,398**	**$ 37,711,706**	**8.5%**
Funds					
01 General Fund	$ 295,049,270	$ 318,781,064	$ 344,781,992	$ 26,000,928	8.2%
03 Special Fund	11,398,919	9,067,762	9,118,848	51,086	0.6%
05 Federal Fund	100,394,616	113,327,281	124,943,677	11,616,396	10.3%
09 Reimbursable Fund	593,696	545,585	588,881	43,296	7.9%
Total Funds	**$ 407,436,501**	**$ 441,721,692**	**$ 479,433,398**	**$ 37,711,706**	**8.5%**

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
DHMH - Developmental Disabilities Administration

Unit/Program	FY00 Actual	FY01 Legislative Appropriation	FY01 Working Appropriation	FY00 - FY01 % Change	FY02 Allowance	FY01 - FY02 % Change
01 Program Direction	$ 3,959,270	$ 4,344,767	$ 4,344,767	9.7%	$ 5,013,760	15.4%
02 Community Services	340,085,776	371,841,141	371,841,141	9.3%	406,460,814	9.3%
01 Services And Institutional Operations	35,351,709	36,697,959	36,697,959	3.8%	37,640,874	2.6%
01 Facilities Maintenance	91,297	0	0	(100.0%)	0	0%
01 Services and Institutional Operations	15,313,788	15,667,370	15,667,370	2.3%	16,589,937	5.9%
01 Services And Institutional Operations	8,842,628	9,056,910	9,056,910	2.4%	9,505,300	5.0%
01 Services And Institutional Operations	3,792,033	4,113,545	4,113,545	8.5%	4,222,713	2.7%
Total Expenditures	**$ 407,436,501**	**$ 441,721,692**	**$ 441,721,692**	**8.4%**	**$ 479,433,398**	**8.5%**
General Fund	$ 295,049,270	$ 318,781,064	$ 318,781,064	8.0%	$ 344,781,992	8.2%
Special Fund	11,398,919	9,067,762	9,067,762	(20.5%)	9,118,848	0.6%
Federal Fund	100,394,616	113,327,281	113,327,281	12.9%	124,943,677	10.3%
Total Appropriations	**$ 406,842,805**	**$ 441,176,107**	**$ 441,176,107**	**8.4%**	**$ 478,844,517**	**8.5%**
Reimbursable Fund	$ 593,696	$ 545,585	$ 545,585	(8.1%)	$ 588,881	7.9%
Total Funds	**$ 407,436,501**	**$ 441,721,692**	**$ 441,721,692**	**8.4%**	**$ 479,433,398**	**8.5%**