

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1403 (Delegate Hurson)
Appropriations

Developmentally Disabled Individuals - Waiting List Equity Fund

This bill requires that health occupation license fee revenues be distributed to the Waiting List Equity Fund in fiscal 1997 to provide community-based services to individuals eligible for services from the Developmental Disabilities Administration (DDA). Under current law, the fee revenues are distributed to special funds to cover the operating expenditures of the health occupation boards. The bill does not apply to the Commission on Kidney Disease or the Board of Examiners of Nursing Home Administrators.

The bill takes effect July 1, 1996 and remains in effect for one year or until \$8 million has accrued to the Waiting List Equity Fund, whichever occurs first.

Fiscal Summary

State Effect: An \$8 million decrease in revenues accruing to the health occupational boards will be offset by an equal increase in revenues accruing to the Waiting List Equity Fund. The decrease in revenues creates an \$8 million special fund deficiency in the boards' FY 1997 operating budgets. Expenditures from the Waiting List Equity Fund would increase by \$8 million in FY 1997 only.

Local Effect: None.

Fiscal Analysis

Background: Chapter 401 of the Acts of 1994 (HB 1060) established the Waiting List Equity Fund to ensure that when developmentally disabled individuals leave State residential centers, the per capita costs of serving them follows them to community services. Any remaining funds are to be used to serve individuals on the Developmental Disabilities Administration waiting list for services. The current fund balance for the Waiting List Equity

Fund is \$579,231.

The health occupational boards regulate all persons licensed in a particular health occupation by setting standards for licensure and practice, administering examinations, issuing licenses, and investigating suspected violations. Chapter 272 of the Acts of 1992 (SB 655) mandated that all but two of the health occupational licensing boards generate sufficient revenues from professional fees to cover the costs of maintaining a regulatory program, i.e., created special funded boards. The Board of Nursing Home Administrators and the State Board of Anatomy were granted exemptions and are still funded with general funds. Chapter 272 also stipulated that no other State money (besides special fund fee revenues) may be used to support the health occupational boards.

Chapter 502 of the Acts of 1991 (SB 579) authorized the Board of Nursing and Board of Physician Quality Assurance to be funded entirely by special funds. Eighty percent of licensure fee revenues are to be used to support the boards' operating expenditures and 20% goes to the State general fund. Chapter 628 of the Acts of 1993 (HB 1407) specified that 6% of fee revenues of the Board of Physician Quality Assurance goes to the general fund and 14% goes to the State Scholarship Administration to benefit health practitioners.

State Revenues: The health occupational boards will collect an estimated \$13 million in revenues in fiscal 1997. Of the \$13 million, \$1.5 million will be transferred under current law to the general fund from the revenues of the Board of Nursing and Board of Physician Quality Assurance. Under the bill's requirements, \$8 million would be distributed to the Waiting List Equity Fund. The special fund balance in DDA's Waiting List Equity Fund will increase by \$8 million.

State Expenditures: The proposed fiscal 1997 budget for the health occupational boards is \$13 million. The bill's requirements to distribute \$8 million in fee revenues to the Waiting List Equity Fund could have one or more of the following effects on the boards' operating budgets:

- Create a deficiency of \$8 million in the boards' fiscal 1997 operating budgets. The boards are required by State law to perform their regulatory functions but the bill's requirements remove 62% of their special fund income. General funds cannot be used to offset the deficiency, since Chapter 272 stipulates that no other State money (besides special fund fee revenues) may be used to support the health occupational boards;
- Cause the boards to raise licensure fees to cover both the costs of operating the boards and contributing \$8 million to the Waiting List Equity Fund; and/or

- Cause the boards to dip into their special fund balance carryover from fiscal 1996. The beginning fund balance for the boards will total an estimated \$7 million in fiscal 1997, so there would be a special fund deficiency of \$1 million even if the entire special fund balance was used. In addition, dipping into their special fund balances could create a problem for the six boards that have biennial renewal periods.

It is not possible at this time to reliably predict which of the actions listed above would be taken by which of the boards. Although the boards *in aggregate* have a special fund balance that could collectively offset \$7 million of the \$8 million deficit, it is possible that some *individual* boards could be placed in a deficit situation. In particular jeopardy would be those boards with biennial renewal periods, because funds collected in the renewal year must cover the board's operating budget for two years.

The Health Care Access and Cost Commission (HCACC) is funded by fees assessed on health care practitioners and payers. One-third of the HCACC budget, or \$1.6 million in fiscal 1997, is to come from health care practitioners. The assessment is made by the board at the time a licensee receives or renews a license and is transferred to HCACC on a quarterly basis. As a result, \$1.6 million of the HCACC budget would be in the same situation as the boards' fee revenues in fiscal 1997, i.e., liable to be transferred to the Waiting List Equity Fund. As with the boards' funds, it is not possible at this time to reliably estimate how much of each board's revenues might be distributed to the Waiting List Equity Fund.

Expenditures from the Waiting List Equity Fund would increase by \$8 million in fiscal 1997 only. The waiting list includes those individuals with developmental disabilities who are either currently receiving no services or currently receiving services but are requesting additional or different services. Services requested fall into the categories of residential, day program, or individual support services. The individuals requesting services are categorized by level of need: (1) crisis resolution, or individuals in physical danger or in danger of becoming homeless; (2) crisis prevention; (3) current request; and (4) future need. For illustrative purposes, it would have cost an estimated \$15.3 million in fiscal 1994 to provide all the service requests in the crisis resolution category for individuals not receiving any services.

Since the bill provides for a one-time-only increase in Waiting List Equity Fund revenues of \$8 million in fiscal 1997, it is not clear where the funds will come from to support continued services in future years.

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

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