

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE

House Bill 1283 (Delegate Taylor, *et al.*)

Health and Government Operations and
 Appropriations

Developmental Disabilities Waiting List Reduction Act of 2010

This bill requires the Governor to include, in fiscal 2012 through 2015, \$5 million in the annual budget for the Waiting List Equity Fund (WLEF) for providing community-based services to individuals eligible for, but not receiving, services from the Developmental Disabilities Administration (DDA).

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Department of Health and Mental Hygiene (DHMH) expenditures from WLEF increase by \$7.4 million (averaging 30% federal funds and 70% general funds) in FY 2012 to provide 135 individuals on the waiting list with an average of two services each. Future years reflect a constant mandate through FY 2015 and inflation in administrative costs. **This bill establishes a mandated appropriation from FY 2012 through 2015.**

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	\$0	\$7.1	\$7.1	\$7.1	\$7.1
FF Revenue	\$0	\$2.2	\$2.2	\$2.2	\$2.2
GF Expenditure	\$0	\$5.3	\$5.2	\$5.3	\$5.3
SF Expenditure	\$0	\$7.1	\$7.1	\$7.1	\$7.1
FF Expenditure	\$0	\$2.2	\$2.2	\$2.2	\$2.2
Net Effect	\$0	(\$5.3)	(\$5.2)	(\$5.3)	(\$5.3)

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

Local Effect: None.

Small Business Effect: Meaningful for small providers that may serve additional individuals under the bill.

Analysis

Current Law: Proceeds from the sale or long-term lease of property and equipment of a DDA facility or a Mental Hygiene Administration facility are deposited into the Community Services Trust Fund. There are two accounts in the trust fund, one pertaining to proceeds from DDA facilities and the other pertaining to proceeds from MHA facilities. Investment earnings from the DDA account are transferred into WLEF, which was established to ensure that funding associated with serving individuals in a State residential center (SRC) follows them to the community when they are transitioned to a community-based care setting and that any remaining funds be used to provide community-based services to individuals eligible for, but not receiving, community-based services.

DDA, subject to the appropriation process in the annual budget, must use WLEF for providing community-based services to individuals eligible for, but not receiving, services from DDA. WLEF consists of funds equal to the cost of providing services to an individual in a State residential center for each fiscal year, or part of a fiscal year, that the individual is no longer served in an SRC and is provided community-based services.

For individuals eligible for, but not receiving, services from DDA, WLEF is used to provide individualized supported living arrangements services, respite care, individual and family support services, supported employment, and individualized community integration day services.

Background: After peaking in fiscal 2008 at \$3.5 million, the fund balance of WLEF declined in fiscal 2009 and is expected to decrease further in fiscal 2010 and 2011, with a projected allowance of \$1.7 million in fiscal 2011. In fiscal 2009, DDA spent approximately \$1.0 million to fund placements for 54 individuals from the waiting list. Funds from WLEF served an estimated 80 individuals in fiscal 2010 and will serve an estimated 45 individuals in fiscal 2011.

DDA advises that there are 3,566 individuals currently on the waiting list for services that could be supported with funding from WLEF.

State Fiscal Effect: Services provided to individuals under WLEF range widely in scope and cost. For example, the average annual cost to provide resource coordination is projected to be approximately \$1,536 per person in fiscal 2011, while the average annual cost to provide community residential services is projected to be approximately \$70,000.

Most individuals receive more than one service, and since the cost of these services varies such a great deal, it is difficult to determine the exact number of individuals who would be served with any given amount of money without knowing each individual's exact service needs. However, for purposes of this estimate, Legislative Services assumes that each individual served under the bill will receive two services at an average cost of \$26,000 per service. Legislative Services stresses that the number of individuals served could vary if, on average, individual service needs vary a great deal from this assumption.

Legislative Services also assumes that, since the mandated \$5 million must be used to provide community-based services to individuals eligible for, but not receiving, DDA services, that all of the \$5 million, and an additional \$2.1 in federal matching funds, will be used to provide services *only*. Thus, additional administrative and personnel costs will be borne by DDA to process additional waiver packets and service funding plans and to conduct quality assurance. These costs are supported with additional general and federal funds. DDA anticipates a 34% federal match for administrative costs.

Therefore, DHMH expenditures increase by \$7.4 million (\$5.2 million in general fund expenditures and \$2.2 million in federal fund expenditures, offset by corresponding federal fund revenues) in fiscal 2012 to provide an average of two services to 135 individuals on the waiting list at a cost of \$26,000 per service. This estimate also includes expenditures associated with hiring one administrative officer to process additional waiver packets, one agency procurement specialist to process additional service funding plans, and four coordinators to conduct quality assurance. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Positions	6.0
Salaries and Fringe Benefits	\$343,896
Start-up Costs	25,770
Ongoing Operating Expenses	17,483
Service Costs	<u>7,020,000</u>
Total FY 2012 State Expenditures	\$7,407,149

Future year expenditures reflect ongoing services costs, full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

Since the \$5 million mandated general fund allocation, including \$2.1 million in corresponding federal revenues and expenditures, will be deposited into WLEF to provide services in fiscal 2012, WLEF special fund revenues increase by \$7.1 million in fiscal 2012. Based on the expenditure estimates described above, a small fund balance of \$80,000 will remain at the end of fiscal 2012 for use in future years. Future year

revenues for WLFE remain constant through fiscal 2015 since the mandate remains constant.

Since Legislative Services assumes that DDA will use nearly the entire mandated amount to provide services to individuals on the waiting list, at a total cost of \$7 million in fiscal 2012, the future year \$5 million mandate may have to be increased slightly to continue to provide services to the estimated 135 individuals served under the bill in fiscal 2012, assuming a 2% increase in service cost expenditures. In addition, although the bill's mandate terminates after fiscal 2015, Legislative Services advises that funding would have to continue in future years to continue providing these services, or the individuals being served will be dropped from the program.

Legislative Services notes that this estimate assumes that the \$5 million mandate is supported entirely with general funds. However, to the extent that federal funds are used to support the mandate, general fund expenditures increase by a lesser amount, and fewer individuals currently on the waiting list will be served.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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