

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 938 (Delegate Rice, *et al.*)

Health and Government Operations and
Appropriations

Developmental Disabilities Administration - Waiting List Equity Fund

This bill repeals language that makes the Waiting List Equity Fund (WLEF) within the Department of Health and Mental Hygiene (DHMH) subject to the annual appropriation process and mandates that the Governor include an annual fund appropriation of at least \$29,000 multiplied by 90% of the individuals eligible for at least one community-based service from the Developmental Disabilities Administration (DDA). Future years must be adjusted for inflation according to the Consumer Price Index. Individuals eligible for, but not receiving, at least one community-based service from DDA may not be denied access to at least one service for more than one full fiscal year.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: DHMH expenditures from WLEF increase by \$133.2 million (averaging 30% federal funds and 70% general funds) in FY 2011, an amount sufficient to provide 2,540 individuals on the waiting list with an average of two services each. Future years reflect inflation. **This bill establishes a mandated appropriation beginning in FY 2012.**

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	\$132.2	\$135.3	\$138.6	\$141.6	\$138.2
FF Revenue	\$39.5	\$40.4	\$41.4	\$42.3	\$41.3
GF Expenditure	\$93.9	\$96.0	\$98.4	\$100.5	\$98.2
SF Expenditure	\$132.2	\$135.3	\$138.6	\$141.6	\$138.2
FF Expenditure	\$39.5	\$40.4	\$41.4	\$42.3	\$41.3
Net Effect	(\$93.9)	(\$96.0)	(\$98.4)	(\$100.5)	(\$98.2)

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 (MHA) 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, if sufficient funding were available.

State Fiscal Effect: The mandate to include an annual WLEF appropriation of at least \$29,000 multiplied by 90% of the individuals eligible for at least one DDA community-based service will yield a required appropriation of approximately \$132.2 million in fiscal 2011. This estimate is based on the following information and assumptions:

- 3,566 individuals are currently on the waiting list and the size of the waiting list does not change before bill implementation;
- 90% of these individuals yields 3,210;
- the mandate requires a general fund appropriation of \$93.1 million to account for \$29,000 times 3,210 individuals; and
- the general fund spending would result in a federal fund match of \$39.1 million.

Legislative Services also assumes that, since the mandated general fund appropriation must be used to provide community-based services to individuals eligible for, but not receiving, DDA services, all of the funds, including 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.

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. Therefore, approximately 2,540 individuals could be served with the additional funding for WLEF. Although the mandate in the bill ties the funding level to a defined percentage of individuals on WLEF (90%), it does not require all of them to receive services in the first year.

Legislative Services advises, that in all likelihood, DDA will have to phase in providing services to individuals on the waiting list over the course of the next few years, since providing 2,540 individuals with services immediately will be a difficult undertaking, even with additional staff. However, for purposes of this estimate and to provide a complete picture of the costs required to meet the bill's requirements, Legislative Services assumes that DDA will provide all of the 2,540 individuals with services

beginning in fiscal 2011. This will still leave approximately 1,026 individuals on the waiting list.

Therefore, DHMH expenditures increase by a total of \$133.2 million (\$93.9 million in general fund expenditures and \$39.3 million in federal fund expenditures, offset by corresponding federal fund revenues) in fiscal 2011 to provide an average of two services to 2,540 individuals on the waiting list at a cost of \$26,000 per service. This estimate also includes expenditures associated with hiring three administrative officers to process additional waiver packets, three agency procurement specialists to process additional service funding plans, and 12 coordinators to conduct quality assurance. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Positions	18.0
Salaries and Fringe Benefits	\$1,013,176
Start-up Costs	75,310
Ongoing Operating Expenses	51,530
Service Costs	<u>132,080,000</u>
Total FY 2011 State Expenditures	\$133,220,016

Future year administrative expenditures reflect annual inflationary adjustments in service costs, full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses

Since the \$93.1 million mandated general fund allocation, including \$39.1 million in federal revenues, will be deposited into WLEF to provide services in fiscal 2011, special fund revenues increase by \$132.2 million in fiscal 2011 to provide those services. Future year special fund revenues are adjusted by the estimated CPI shown in **Exhibit 1**.

Exhibit 1
Consumer Price Index Estimates for Fiscal 2012-2015

FY 2012	2.36%
FY 2013	2.43%
FY 2014	2.18%
FY 2015	2.05%

Since Legislative Services assumes that DDA will use almost the entire mandated amount to provide services to individuals on the waiting list, at a total cost of \$132.1 million in fiscal 2011, and future year mandated amounts are adjusted by the CPI estimates shown in Exhibit 1, Legislative Services does not anticipate that DDA will be able to provide

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services to additional individuals on the waiting list in future years within these funding amounts. Since service costs are estimated to increase by about 2% per year, the CPI inflation rate will likely cover the expenditure increases for the 2,450 individuals only.

However, the bill also requires that individuals who have been on the waiting list for a year receive at least *one* DDA service. Even if the remaining 1,026 people left on the waiting list after an estimated 2,540 individuals are served in fiscal 2011 have been waiting less than one year (DDA reports that it does not know how many individuals have been waiting over a year for services), the majority will presumably remain on the waiting list at the close of fiscal 2011. Therefore, while the Legislative Services estimate assumes that 2,540 individuals will each receive an average of two services under the bill, expenditures may actually increase further in fiscal 2012 to provide services to additional individuals who have been on the waiting list for a year. If not, DDA may have to either reduce services for individuals currently served under the program or provide only one service to some of the 2,540 individuals estimated to be served under the bill.

While a certain number of individuals who receive DDA services are likely lost each year due to program attrition, DDA advises that it does not know the attrition rate. To the extent that individuals receiving DDA services “drop out” of the program for any reason, other individuals on the list could be served without increasing expenditures further.

Finally, Legislative Services notes that this estimate assumes that the bill’s mandated funding level 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 individuals served under the bill will likely receive fewer services.

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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ncs/mwc

Analysis by: Sarah K. Volker

Direct Inquiries to:
(410) 946-5510
(301) 970-5510