LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 16, 2009

TO: Honorable Patrick M. Rose, Chair, House Committee on Human Services

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB1589** by Rose (Relating to the creation of a strategic plan to reform long-term services and supports for individuals with disabilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1589, As Introduced: a negative impact of ($496,428) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	($416,961)
2011	($79,467)
2012	($79,554)
2013	($79,644)
2014	($79,737)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GR Match For Medicaid* 758	Probable Savings/(Cost) from *Federal Funds* 555	Change in Number of State Employees from FY 2009
2010	($416,961)	($138,987)	0.8
2011	($79,467)	($26,489)	1.0
2012	($79,554)	($26,518)	1.0
2013	($79,644)	($26,548)	1.0
2014	($79,737)	($26,579)	1.0

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to develop a strategic plan by December 1, 2010 to reform long-term services and supports for individuals with disabilities. The plan would be required to prescribe methods to expand access to community-based services; examine functional eligibility criteria, tools, and service planning reimbursement methodology for the home-and community based services (HCS) waiver system; prescribe methods to redesign the HCS waiver system; and prescribe methods to end institutional placements of individuals younger than 22 years of age.

The strategic plan would be required to prescribe a method that would result in the closure or consolidation of state schools, with the goal of reducing the utilization of state schools to not more than the national utilization rate within eight years of submission of the plan. The plan would be required to include the number and location of the state schools and state centers that are to be closed and the timeline and benchmarks for each closure. The Executive Commissioner of HHSC would be required to appoint or hire a person who is not an employee of the Department of Aging and Disability Services (DADS) to oversee closure.

The bill would create a steering committee composed of members of the legislature, representatives from state agencies, community providers, consumers, and advocates to make recommendations for the strategic plan. The bill would allow the Executive Commissioner to contract with a disinterested party to help HHSC develop the plan.

The bill would allow HHSC to begin implementation of the strategic plan as soon as possible after the plan is submitted. The Executive Commissioner could begin closing or consolidating state schools without further direction from the Legislature.

Methodology

HHSC indicates one staff member would be hired to oversee the closure process. The cost of the salary, benefits, and other operating expenses would be $81,948 in fiscal year 2010 and $105,956 in fiscal year 2011 and each additional year (All Funds), with the FTE phased-in during the first year. This analysis assumes that because DADS has up to eight years to reduce the utilization of state schools relative to the national rate, the employee would be retained beyond the 2010-11 biennium. HHSC reports the cost to contract with a third party for development of the strategic plan would be $474,000 All Funds in fiscal year 2010.

The bill would allow HHSC to proceed with closure or consolidation of a state school without further legislative direction, and HHSC assumes it would have the authority to move forward with other elements of the strategic plan without further legislative approval. The costs or savings that could occur as a result of implementation of the strategic plan depend on which school(s) are identified for closure or consolidation and cannot be estimated at this time because the contents of the plan are unknown. Some of the factors that would affect the fiscal impact to the state include:

Cost Savings: Reductions in the number of residents at state schools would likely result in cost savings from reduced staffing costs. Because staffing is ratio-based, staffing reductions would be achieved in a step-wise fashion. Further, because many of the expenses at state schools, such as facility costs, are fixed costs, significant savings would not be realized until entire wings or schools close.

Property Values and Bonded Indebtedness: Closure of a particular facility could result in a revenue gain from sale of the land and property, although the state would still need to address outstanding bond debt for the particular school.

Reduced Quality Assurance Fees (QAF): Intermediate Care Facilities for Persons with Mental Retardation, including those that are state-operated, pay a QAF which is used to generate federal Medicaid reimbursement. To the extent that state school residents transition to the HCS waiver program, which does not have a QAF, the state would lose federal funds.

Overhead: A reduction in state school employees as a result of downsizing or closing state schools would shift some allocated costs, such as DADS, HHSC enterprise, and statewide overhead, to other programs at DADS, other HHS agencies, and other agencies outside the enterprise, which could result in less favorable or no federal matching funds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 539 Aging and Disability Services, Department of

LBB Staff: JOB, CL, JI, LL, BM