

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 22, 2015

TO: Honorable Charles Schwertner, Chair, Senate Committee on Health & Human Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB202 by Nelson (Relating to the Department of State Health Services, the provision of health services in this state, and the regulation of certain health-related occupations and activities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB202, As Introduced: a negative impact of (\$8,304,616) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$4,152,308)
2017	(\$4,152,308)
2018	(\$5,416,695)
2019	(\$5,416,695)
2020	(\$5,416,695)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Change in Number of State Employees from FY 2015
2016	(\$3,746,791)	(\$405,517)	21.6
2017	(\$2,021,987)	(\$2,130,321)	21.6
2018	(\$1,556,944)	(\$3,859,751)	15.5
2019	(\$1,371,994)	(\$4,044,701)	15.5
2020	(\$1,371,994)	(\$4,044,701)	15.5

Fiscal Analysis

The bill would partially implement the Sunset Advisory Commission recommendations concerning the Department of State Health Services (DSHS).

The bill would require the Health and Human Services Commission (HHSC) to contract with a third party to conduct a strategic review of performance measures and payment mechanisms for

community behavioral health services (Article 2 of the bill).

The bill would transfer 12 regulatory programs, in two phases, from DSHS to the Department of Licensing and Regulation (TDLR), reconstitute current independent boards existing for each program at DSHS as advisory committees at TDLR, and conform basic administrative processes to TDLR's current operational model (Article 8).

The bill would transfer four regulatory programs from DSHS to the Texas Medical Board (TMB), create associated advisory committees and boards, and require fingerprint-based background checks. The bill requires TMB and DSHS to adopt a transition plan which must provide for the transfer of functions to be completed as soon as practicable after September 1, 2015 (Article 9).

The bill would discontinue from regulatory oversight 10 programs currently under DSHS purview (Article 10).

The bill would take effect September 1, 2015, except for the transfer of 6 regulatory programs to TDLR, which would be effective September 1, 2017.

Methodology

There would be a net revenue loss to the state for two reasons: (1) the programs at DSHS currently raise more revenue than what is required at TDLR and TMB, and (2) there would be a reduction in fee revenue from programs whose oversight is discontinued. The details of the fiscal implication are as follows:

Article 2. Costs to HHSC to obtain third-party assistance to evaluate and improve performance measures and payment mechanisms are assumed to be absorbed with existing resources.

Article 8. The analysis assumes a reduction of \$813,289 and 12.9 FTEs per fiscal year at DSHS, beginning in fiscal year 2016, for phase 1 of the program transfers. The analysis assumes a reduction of \$2,017,233 and 31.1 FTEs per fiscal year at DSHS, beginning in fiscal year 2018, for phase 2 of the program transfers. The reduction in fee collections from these programs would result in a general revenue loss of \$2,277,768 per fiscal year for the 2016-17 biennium, and \$5,575,369 each year thereafter. According to TDLR, the transfer of programs will increase the agency's total license population by 67,000. To respond to the increased workload, TDLR anticipates the need for an additional 31.5 FTEs with salaries totaling \$1,668,214 in 2016 and 2017 for phase 1 and an additional 25.0 FTEs (56.5 total FTEs) in 2018 for phase 2 of the transfer with salaries totaling \$2,917,822 each year. The resulting net change in FTEs is 18.6 per fiscal year for the 2016-17 biennium, and 12.5 per fiscal year each year thereafter. The net increase in benefits and payroll contributions costs are estimated to be \$390,711 per fiscal year for the 2016-17 biennium, and \$374,731 each year thereafter. TDLR estimates one-time start-up costs of \$230,445 for FTEs in fiscal year 2016 and \$184,950 for FTEs in fiscal year 2018. Additionally, TDLR's analysis assumes total rent, travel, and other operating expenses of \$152,260 in fiscal years 2016 and 2017, and \$285,873 in subsequent years. This analysis assumes that any increased cost to TDLR, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue.

Article 9. The analysis assumes a reduction of \$687,304 and 12.2 FTEs per fiscal year at DSHS. The reduction in fee collections from these programs would result in a general revenue loss of \$2,024,837 per fiscal year. The transfer of programs to TMB will increase the agency's total licensee population by 44,000. The agency also anticipates an additional 450 investigations and an additional 75 enforcement cases per year. To respond to the increased workload, TMB

anticipates the need for an additional 29.0 full-time equivalents (FTEs), with salaries totaling \$1,520,642 each fiscal year. The resulting net change in FTEs is 16.8 per fiscal year. The net increase in benefits and payroll contributions costs are estimated to be \$353,291 per fiscal year. TMB estimates one-time start-up costs of \$71,630 for FTEs in fiscal year 2016 only. TMB's analysis assumes \$16,875 each year in increased costs for expert witness testimony in standard of care reviews involving radiologic technicians and respiratory care practitioners and \$31,800 each fiscal year for per diem and travel reimbursement for advisory board and advisory committee members. TMB's analysis includes \$430,000 in fiscal year 2016 only for additional workspace for 29.0 FTEs, in line with estimates from the Texas Facilities Commission. This analysis assumes that any increased costs to the Texas Medical Board, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue.

Article 10. The discontinuation of regulatory oversight over 10 programs assumes a savings of \$1,137,214 in general revenue and a reduction of 13.8 FTEs per fiscal year. The reduction in fee collections from these programs would result in a general revenue loss of \$1,743,508 per fiscal year.

Technology

TDLR anticipates \$993,000 in one time start-up costs for the purchase of information technology related to data centers and server costs for database transfers in fiscal year 2016. These information technology purchases will also require \$526,000 in yearly maintenance and support starting in fiscal year 2016. Additionally, TDLRs analysis assumes FTE start-up costs of \$63,180 in fiscal year 2016 (31.5 FTEs @ \$2,005 per FTE) and \$52,200 in fiscal year 2018 (25 FTEs @ \$2,088 per FTE) for computer purchases.

TMB anticipates \$71,630 in one-time start-up costs including the purchase of information technology in fiscal year 2016 only (29.0 FTEs @ \$2,470 per FTE).

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 452 Department of Licensing and Regulation, 503 Texas Medical Board, 529 Health and Human Services Commission, 537 State Health Services, Department of

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