

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 2363 - SB 2225

March 12, 2012

SUMMARY OF BILL: Transfers responsibility for licensing services, facilities, and personal support services operated for individuals with intellectual and developmental disabilities from the Department of Mental Health (DMH) to the Department of Intellectual and Developmental Disabilities (DIDD).

ESTIMATED FISCAL IMPACT:

On February 29, 2012, a fiscal note was issued estimating a fiscal impact as follows:

Increase State Expenditures - \$88,000

Other Fiscal Impact – Current licensure fee revenue in the amount of \$615,600 will transfer from the Department of Mental Health to the Department of Intellectual and Developmental Disabilities. Three positions, costing \$158,300 will also transfer. The Department of Intellectual and Developmental Disabilities will have excess revenue in the amount of \$369,400.

The Department of Mental Health will have a shortfall of approximately \$457,400. The Department will have to increase licensure fee revenue by this amount, decrease current licensure program expenditures by this amount, or receive additional state funds to cover the loss of revenue.

Revenue in the amount of \$663,500 and the transfer of three positions are included in the Governor's FY12-13 Proposed Budget.

The original impact did not adequately identify that the increase in state expenditures of \$88,000 will be covered through excess fee revenue. After further analysis, the fiscal impact is:

(CORRECTED)

Increase State Expenditures – Net Impact - \$88,000

Other Fiscal Impact – Current licensure fee revenue in the amount of \$615,600 will transfer from the Department of Mental Health to the Department of Intellectual and Developmental Disabilities. Three positions, costing approximately \$158,300 will also transfer. The recurring increase in state

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expenditures of \$88,000 will be covered through current fee revenue. The Department of Intellectual and Developmental Disabilities will have excess revenue in the amount of \$369,400.

The Department of Mental Health will have a shortfall of approximately \$457,400. The Department will have to increase licensure fee revenue by this amount, decrease current licensure program expenditures by this amount, or receive additional state funds to cover the loss of revenue.

Revenue in the amount of \$663,500 and the transfer of three positions are included in the Governor's FY12-13 Proposed Budget.

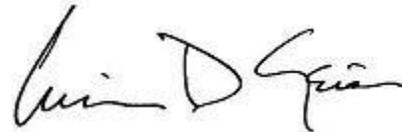
Assumptions:

- According to DMH, there were 1,890 distinct sites in January 2012. Of those sites, 1,213 were mental health sites, alcohol and drug abuse sites, or personal support services agencies that serve mental health or elderly populations.
- The remaining 677 sites are intellectual and developmental disability sites or personal support services sites with one or more intellectual and developmental disability components. This also includes all free standing personal support services agencies.
- The 677 sites will be licensed by DIDD. According to DMH, these sites accounted for approximately \$615,635 in licensure fee revenue. This revenue will shift from DMH to DIDD.
- Based on the Comptroller of the Treasury, Division of State Audit Performance Audit Report dated October 2010, the equivalent of 2.32 full-time employees were identified as directly involved in licensing life-safety inspections and, to some extent, with programmatic surveys at sites that serve intellectually and developmentally disabled populations.
- It is estimated that three surveyor positions, one per region, will transfer from DMH to DIDD. Based on the budgeted expenses for the least senior licensure surveyor, the salaries and benefits for the three positions are estimated to be \$141,468 [(\$31,620 salary + \$14,640 benefits in East TN) + (\$31,620 salary + \$14,640 benefits in Middle TN) + (\$33,684 salary + \$15,264 benefits in West TN)].
- Based on the actual expenditures per surveyor position, additional expenditures associated with these three positions are estimated to be \$16,783 for travel, communications, supplies, equipment, and insurance.
- The total amount of decreased expenditures for DMH to transfer the three positions to DIDD is \$158,251 (\$141,468 + \$16,783).
- According to DIDD, a director of licensing position will be created to oversee the licensure program.
- Salary and benefits for the position are estimated to be \$77,900 (\$56,000 salary + \$21,900 benefits). Additional expenditures associated with this position are estimated to be \$3,100 for travel, communications, supplies, equipment, and insurance. The total increase in expenditures is \$81,000.

- According to DIDD, the estimated increase in recurring expenditures for ongoing training for new and current staff is \$7,000 [(1 new director + 3 DMH transfers + 3 current DIDD positions) x \$1,000 per employee].
- The total increase in recurring state expenditures for the DIDD is estimated to be \$246,251 (\$158,251 transferred positions + \$81,000 new position + \$7,000 training).
- The net increase in state expenditures is \$88,000 (\$246,251 - \$158,251).
- DIDD will have excess revenue in the amount of \$369,384 (\$615,635 revenue - \$246,251 expenditures).
- Based on information included in the Comptroller of the Treasury, Division of State Audit Performance Audit Report dated October 2010, and information submitted by DMH in previous sessions, the Department uses the licensure fee revenue collected from licensing these facilities to cover the costs of the entire licensure program. Transferring the \$615,635 in fee revenue and \$158,251 in expenditures to DIDD will result in approximately \$457,384 (\$615,635 - \$158,251) in fee revenue that is not available to fund the DMH licensure program. The Department will have to increase licensure fees of the 1,213 mental health sites, alcohol and drug abuse sites, and personal support services agencies that serve mental health or elderly populations, reduce expenditures in the licensure program, or receive an appropriation of this amount.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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