

## Fiscal Estimate - 2015 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

<b>LRB Number</b> <b>15-0162/1</b>	<b>Introduction Number</b> <b>AB-0749</b>	
<b>Description</b> Surplus retention limitations for providers of rate-based services purchased by the Department of Children and Families, the Department of Corrections, the Department of Health Services, or a county department of human services, social services, community programs, or developmental disabilities services		
<b>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect		
<input checked="" type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		
<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No		
<input type="checkbox"/> Decrease Costs		
<b>Local:</b>		
<input type="checkbox"/> No Local Government Costs		
<input checked="" type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
<b>5. Types of Local Government Units Affected</b>		
<input type="checkbox"/> Towns	<input type="checkbox"/> Village	<input type="checkbox"/> Cities
<input type="checkbox"/> Counties	<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Affected Ch. 20 Appropriations</b>		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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## Fiscal Estimate Narratives

DOC 1/29/2016

LRB Number	15-0162/1	Introduction Number	AB-0749	Estimate Type	Original
<b>Description</b> Surplus retention limitations for providers of rate-based services purchased by the Department of Children and Families, the Department of Corrections, the Department of Health Services, or a county department of human services, social services, community programs, or developmental disabilities services					

### Assumptions Used in Arriving at Fiscal Estimate

Under current legislation, a nonprofit provider that contracts with the Department of Children and Families (DCF) or a county department to provide support services or child welfare services on a rate per client service basis is allowed to retain 5 percent of a contract if revenues exceed expenditures in the contract period. Funds may be used for future or previous contracts to cover any shortfalls for the same rate-based service or to address the programmatic needs of clients.

Under current legislation, services are reimbursed through a prospectively set rate and are considered a "rate-based service."

Under current legislation, excess funds may be accumulated for multiple contract periods up to 10 percent of the provider's current contract for that rate-based service. For any amount beyond the 10 percent, the purchaser may request and the provider must return to the purchaser their share, and any additional excess funds must be used to reduce the provider's rate for the next contract. In addition, if a provider has held the contract for four terms for a service equal to 10 percent of the current contract for that service, the provider must apply 50 percent of those funds to reducing its rate in the next contract. The bill eliminates the 10 percent accumulated surplus retention limits.

Under the proposed legislation, the provider of a rate-based service is permitted to retain not less than 5 percent of the revenue received under the contract or a lesser amount determined at the sole discretion of the provider. The bill also eliminates the authority of a provider of a rate-based service to use those retained funds to cover deficits incurred in preceding or future contract periods, and instead permits a provider to use those retained funds to address the programmatic needs of any client of the provider, not just the clients of that service.

The bill also provides that if on December 31 of any year the amount accumulated by the provider of a rate-based service from contract periods ending during that year for the service exceeds the amount retained by the provider for that service, the provider must provide written notice of that excess to all purchasers of that rate-based service and, upon the written request of such a purchaser within 6 months after the date of the notice, must return to the purchaser the purchaser's proportional share of that excess.

Finally, the bill provides that on the effective date of the bill, if the amount accumulated by a provider of a rate-based service from all contract periods ending before that date for all rate-based services provided by the provider exceeds 10 percent of the provider's total contract amount for all rate-based services provided by the provider in the year before the effective date, the provider must provide written notice of that excess to all purchasers of the service, and upon written request of such a purchaser within 6 months, be returned their proportion share of that excess.

The current and proposed legislation as aforementioned is extended to the Department of Corrections (DOC) purchased juvenile delinquency services and counties.

It is difficult to determine a potential fiscal impact experienced by DOC for the revised retention of surpluses for non-profit out-of-home care providers. The DOC does not uniformly maintain a database of the excess revenues received from out-of-home care providers, and so it is not possible to ascertain the precise adjustment that may occur in the amount of excess revenues received. Any fiscal change would ultimately depend upon unknown future excess revenues from providers, affiliated provider deficits, and upon DOC's request to receive excess funds from out-of-home care providers.

Since counties could potentially receive an adjusted amount of excess revenues from providers under the proposed

legislation, there may be a potential impact to the counties. Since DOC does not have access to out-of-home care revenue transactions between counties and providers for youth under county supervision, the Department cannot readily estimate the potential impact experienced by local governments.

### **Long-Range Fiscal Implications**