

## Fiscal Estimate - 2017 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

<b>LRB Number</b> <b>17-1853/1</b>	<b>Introduction Number</b> <b>AB-0327</b>
<b>Description</b> surplus retention limitations for providers of rate-based services purchased by certain state and county departments and requiring the exercise of rule-making authority	
<b>Fiscal Effect</b>  <b>State:</b> <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate     <input type="checkbox"/> Increase Existing Appropriations     <input type="checkbox"/> Decrease Existing Appropriations     <input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><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</div></div> <b>Local:</b> <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate     1. <input type="checkbox"/> Increase Costs         <input type="checkbox"/> Permissive   <input type="checkbox"/> Mandatory     2. <input type="checkbox"/> Decrease Costs         <input type="checkbox"/> Permissive   <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> Increase Revenue     3. <input type="checkbox"/> Increase Revenue         <input type="checkbox"/> Permissive   <input type="checkbox"/> Mandatory     4. <input type="checkbox"/> Decrease Revenue         <input type="checkbox"/> Permissive   <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><b>5. Types of Local Government Units Affected</b> <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div>	

## Fiscal Estimate Narratives

DCF 6/26/2017

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<b>Description</b> surplus retention limitations for providers of rate-based services purchased by certain state and county departments and requiring the exercise of rule-making authority					

### Assumptions Used in Arriving at Fiscal Estimate

The proposed bill maintains the current 5 percent cap on surplus revenue retention for non-profit providers of rate-based services until the Department of Children and Families (DCF), the Department of Health Services (DHS), and the Department of Corrections (DOC) determine a different percentage through the administrative rule process. A surplus is realized when revenue for rate-based services exceeds the allowable costs incurred in the contract period. Providers of rate-based services currently contract directly with DCF in Milwaukee County and with counties in the balance of state to provide services in Group Homes and Residential Care Centers, and to provide administrative services in Child Placing Agencies.

The proposed bill requires the rate-based contracts to "allow the provider to retain from the surplus up to 5 percent of the revenue received" which would prevent the state or county from specifying a lower surplus retention percentage in the provider contract. Under current law, the state or county may negotiate in the contracts a surplus retention percentage of less than 5 percent.

Costs to the state and counties could increase if non-profit providers are currently retaining less than 5 percent and are able to retain additional surplus revenue under new rate-based contracts. The potential increase in costs is indeterminate at this time.

The bill creates statutory language that requires DCF to establish a procedure for reviewing rate-based contracts to determine whether they comply with the "up to 5 percent" required contract language. Such reviews would be completed within current DCF staffing levels.

The bill also removes the 10 percent accumulated surplus retention limit. In current law, providers cannot accumulate funds from more than one contract period in an amount greater than 10 percent of all current contracts. DCF currently recovers approximately \$500,000 per year from providers in Milwaukee County that have exceeded the 10 percent accumulated surplus retention limit. DCF would continue to collect approximately \$500,000 per year by enforcing the 5% limit annually. Amounts recovered by counties due to this limit are unknown.

For DCF/DMCPS provider contracts in Milwaukee that are very large, removal of the 10 percent cumulative surplus limit would allow providers to keep large surpluses that would accumulate over many years if the provider's allowable costs are below the rate paid by the state. This bill removes requirements that accumulated funds be returned as the surplus of up to 5 percent per contract year would become the property of the provider. Costs to the state related to the repeal of the 10 percent accumulated revenue retention limit are indeterminate. Costs to the counties due to repeal of this limit are unknown.

### Long-Range Fiscal Implications