

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING AN INCREASE IN THE NUMBER OF RESIDENTIAL BEHAVIORAL HEALTH BEDS, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Prime Sponsors: Reps. Amabile and Sandridge
Sens. Winter and Smallwood

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Appropriation Items of Note

Appropriation Already Added to Bill, Amendment in Packet

General Fund Impact

Significant Second and Third Year General Fund Increase

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 04/26/22.

XXX	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.003	Bill Sponsor amendment - changes fiscal impact <i>and</i> appropriation

Current Appropriations Clause in Bill

The bill includes a clause that appropriates a total of \$41,900,316 (including \$91,938 General Fund) to three different departments, as shown in the following table. The cash funds appropriations to the Department of Human Services are from the Behavioral and Mental Health Cash Fund, originating as federal funds from the American Rescue Plan Act, and are made available to the Department through December 30, 2024. The table also shows the FTE assumptions for both FY 2022-23 and FY 2023-24.

H.B. 22-1303 NET CHANGE IN APPROPRIATIONS BY DEPARTMENT - REENGROSSED BILL							
DEPARTMENT	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FY 22-23 FTE	FY 23-24 FTE
Human Services Operating	\$31,022,771	\$0	\$31,022,771	\$0	\$0	10.3	84.3
Human Services Capital Construction	10,683,678	0	10,683,678	0	0	0.0	0.0
Personnel	9,992	0	0	9,992	0	0.0	0.0
Health Care Policy and Financing	183,875	91,938	0	0	91,937	1.8	2.0
TOTAL	\$41,900,316	\$91,938	\$41,706,449	\$9,992	\$91,937	12.1	86.3

However, the current appropriation does not align with the revised fiscal note (dated April 26, 2022) for the reengrossed bill. Specifically, as amended on second reading in the House, the bill requires the following increases in appropriations to the Department of Human Services (also from the Behavioral and Mental Health Cash Fund): (1) \$15.0 million for contracts for additional beds, associated with an amendment authorizing the use of the funds for the renovation of private facilities; and (2) \$1,137,970 for the Department's oversight costs related to mental health residential facilities.

Description of Amendments in This Packet

J.003 Staff has prepared amendment **J.003** (attached) to amend the existing appropriation clause to provide the additional appropriations discussed above: (1) an increase of \$15.0 million for costs associated with contracting for additional beds and the renovation of private facilities; and (2) an increase of \$1,137,970 for additional costs related to the oversight of mental health residential facilities. With the amendment, total appropriations increase to \$58,038,286, including \$57,844,419 cash funds from the Behavioral and Mental Health Cash Fund (and no change to the other fund sources or the FTE). The following table summarizes appropriations with the increases included in amendment J.003.

H.B. 22-1303 NET CHANGE IN APPROPRIATIONS BY DEPARTMENT WITH AMENDMENT J.003							
DEPARTMENT	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FY 22-23 FTE	FY 23-24 FTE
Human Services Operating	\$47,160,741	\$0	\$47,160,741	\$0	\$0	10.3	84.3
Human Services Capital Construction	10,683,678	0	10,683,678	0	0	0.0	0.0
Personnel	9,992	0	0	9,992	0	0.0	0.0
Health Care Policy and Financing	183,875	91,938	0	0	91,937	1.8	2.0
TOTAL	\$58,038,286	\$91,938	\$57,844,419	\$9,992	\$91,937	12.1	86.3

Points to Consider

General Fund Impact

The Joint Budget Committee has proposed a budget package for FY 2022-23 based on the March 2022 Legislative Council Staff revenue forecast. The budget package includes two set-asides:

- \$40.0 million General Fund for bills that create ongoing obligations; and
- \$900.0 million General Fund for bills that create one-time obligations in FY 2022-23.

The \$40.0 million *appropriations* set-aside includes an additional \$6.0 million General Fund to provide a 15.0 percent General Fund reserve for those appropriations. The \$900.0 million *obligations*

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JBC Staff Analysis

set-aside does not include an additional amount for a General Fund reserve and, assumes, but does not require, that obligations be addressed through statutory transfers rather than appropriations. Therefore *appropriations* from the \$900.0 million set-aside require an additional 15.0 percent to maintain the statutory General Fund reserve.

This bill creates an ongoing obligation and requires a General Fund appropriation of \$91,938 for FY 2022-23, reducing the \$40.0 million set aside by the same amount.

Future General Fund Impact

As noted above, the bill requires an appropriation of \$91,938 General Fund in FY 2022-23. However, the General Fund required to implement this bill is anticipated to increase beginning in FY 2023-24 due to the delivery of Medicaid-eligible services. The FY 2023-24 General Fund impact is identified in the revised fiscal note as \$11.5 million.

The FY 2024-25 General Fund impact is estimated to be \$29.7 million as costs supported by the Behavioral and Mental Health Cash Fund in FY 2022-23 and FY 2023-24 are forced to shift to the General Fund for ongoing support. In addition, while \$29.7 million is assumed to be the ongoing impact, the General Fund required to implement the bill in the future may increase if the per capita costs of the associated costs of Medicaid claims increases.

The Committee should note that this analysis assumes that contract beds that the bill would support in FY 2022-23 and FY 2023-24 with appropriations from the Behavioral and Mental Health Cash Fund to the Department of Human Services would be funded through the Department of Health Care Policy and Financing in subsequent years, with the cost split between General Fund and federal funds. In addition:

- In alignment with the fiscal note, this analysis assumes that appropriations from the Behavioral and Mental Health Cash Fund will support the anticipated costs for FY 2022-23 and FY 2023-24.
- The General Assembly could consider increasing appropriations from the Behavioral and Mental Health Cash Fund to support estimated costs for the first half of FY 2024-25 (through December 30, 2024), which would reduce the General Fund impact in that year. However, the anticipated ongoing General Fund impact in subsequent years would align with the discussion above.