Fiscal Estimate - 2017 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 17-3277/1	Introduction Number SB-255

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

Fiscal Effect

State:

☐ No State Fiscal Effect
☒ Indeterminate

- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☒ Indeterminate

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☒ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOC/ Peter James (608) 240-5422	Donald Friske (608) 240-5056	5/25/2017

Fiscal Estimate Narratives

DOC 5/25/2017

LRB Number **17-3277/1**	Introduction Number **SB-255**	Estimate Type **Original**
Description 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

Under current law, contracts for rate-based client services between the Department of Corrections (DOC), the Department of Health Services (DHS), the Department of Children and Families (DCF), or a county department, allow a non-profit, non-stock corporation that provides rate-based services (provider) to retain up to 5 percent of the contract amount from any surplus revenues received under the contract period. Funds may be used to cover any deficits incurred in any preceding or future contract period for the same rate-based service or to address the programmatic needs of clients served by that service.

Also under current law, if the provider accumulates funds from more than one contract period in an amount greater than 10 percent of all current contracts the provider must refund the purchaser's proportional share of that excess, at the request of a purchaser. If there are any unclaimed excess revenues, the provider must use those funds to reduce the provider's unit rate per client in the next contract period.

Additionally, current law provides that if a provider has held an accumulated reserve of 10 percent or more of the amount of all current contracts for that rate-based service for four consecutive contract periods, the provider must apply 50 percent of those funds to reducing its unit rate per client in the next contract period.

Under this bill, providers may keep up to 5 percent of surplus revenues until a different percentage is determined, by administrative rule, by DOC, DHS, and DCF. If there is a total annual surplus exceeding 5 percent or a different percentage as determined by DOC, DHS, and DCF, the provider must provide written notice to all purchasers of the rate-based services. If the purchasers provide a written request within six months of receiving the notice from the provider, the provider must refund the purchaser's proportional share of the excess. This bill also eliminates the restrictions that the provider has on spending surplus funds that it retains.

This bill also increases the threshold that requires a provider to provide to purchasers a certified financial and compliance audit report from $25,000 to $100,000.

Finally, the bill provides that, on the effective date of the bill, if the amount accumulated by a provider 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 proportional share of that excess.

The DOC contracts with rate-based out-of-home providers for juveniles under community supervision. The DOC does not maintain a database of the excess revenues received from rate-based 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 by providers. Thus, the DOC cannot determine the potential fiscal impact of this bill. Any fiscal change would ultimately depend upon unknown future excess revenues from providers, potential 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 this bill, there may be a potential local fiscal impact to the counties. Since the Department 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