

**ADMINISTRATIVE RULES – FISCAL ESTIMATE**

**1. Fiscal Estimate Version**

Original    Updated    Corrected

**2. Administrative Rule Chapter Title and Number**

HFS 83

**3. Subject**

Community Based Residential Facilities (CBRFs)

**4. State Fiscal Effect:**

No Fiscal Effect

Indeterminate

Increase Existing Revenues

Decrease Existing Revenues

Increase Costs

Yes    No

May be possible to absorb within agency's budget.

Decrease Costs

**5. Fund Sources Affected:**

GPR    FED    PRO    PRS    SEG    SEG-S

**6. Affected Ch. 20, Stats. Appropriations:**

**7. Local Government Fiscal Effect:**

No Fiscal Effect

Indeterminate

Increase Revenues

Decrease Revenues

Increase Costs

Decrease Costs

**8. Local Government Units Affected:**

Towns    Villages    Cities    Counties    School Districts    WTCS Districts    Others:

**9. Private Sector Fiscal Effect (small businesses only):**

No Fiscal Effect

Indeterminate

Increase Revenues

Decrease Revenues

Yes    No   May have significant economic impact on a substantial number of small businesses

Increase Costs

Yes    No

May have significant economic impact on a substantial number of small businesses

Decrease Costs

**10. Types of Small Businesses Affected:**

Community-based residential facilities.

**11. Fiscal Analysis Summary**

The proposed repeal and re-creation of HFS 83 will affect CBRFs licensed in Wisconsin to care for 5 or more unrelated adults. Based on 2005 data from the Department's Adult Program Information System there are 1,373 licensed CBRFs in Wisconsin. Each month approximately 20 CBRFs open, close or change ownership with a 1 – 2% growth in this industry annually. The majority of these entities are "small businesses" as the term is defined under s. 227.114 (1) (a) Stats. It is estimated that 910, CBRFs (66% of all CBRFs) are small business with annual revenue less than \$5 million and 25 or fewer employees.

A small number of all CBRFs meet or exceed the requirements set forth in the proposed rule and will not experience any increased costs. It is anticipated, however, that almost all CBRFs will experience a modest increase in expenses below the 2005 Consumer Price Index of 3.4% from one or more of the new requirements. These requirements include, but are not limited to, additional staff training, new resident assessment and care planning criteria, additional fire safety measures such as solid core doors, inspections, and engineer plan review.

The proposed rule requires small Class ‘C’ CBRFs serving persons who are not physically or mentally capable of responding to an electronic fire alarm and exiting the facility to install sprinkler systems. This requirement has been added to the proposed rule to ensure the health and safety of these most vulnerable adults. Nearly 50% of all CBRFs are licensed as small facilities serving 5 – 8 residents (i.e., small Class C facilities). Available data estimates 117 (i.e., 8.5% of all CBRFs) small Class ‘C’ facilities may be required to install a sprinkler system. The cost to these small class ‘C’ facilities to install a sprinkler system will most likely increase operating expenditures by more than the 2005 CPI of 3.4%. The affected small Class ‘C’ facilities have many options available to them to address the cost of sprinklers. Facilities may choose to change the classification of their licensure to serve persons who are physically and mentally capable of responding to a fire alarm and therefore, a sprinkler system would not be required. A small Class ‘C’ CBRF could reduce its capacity and become a four-bed adult family home, not subject to ch. HFS 83. An existing small Class ‘C’ CBRF has up to 5 years to install a sprinkler system. The additional 5 years to comply with the sprinkler requirement will provide substantial time to budget for the costs associated with this requirement. In addition, it should be noted that some of the small Class ‘C’ facilities may need to make additional changes in other regulated areas such as emergency lighting, increased cost for training, solid doors, and higher cost for an administrator, etc.

The proposed rules should not have any fiscal effect on state or local governments.

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**12. Long-Range Fiscal Implications**

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There will be no long-range fiscal implications for the majority of CBRF’s. Small Class ‘C’ CBRFs that choose to comply with the sprinkler requirement may experience ongoing expenses from financing and/or depreciation of capital equipment.

The proposed rules will have no long range effect on state or local governments.

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