

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: March 14, 2003

SUBJECT: Fiscal Impact Statement: "Health Services Planning and
Development Amendment Act of 2003"

REFERENCE: Draft Legislation – Bill Number Not Available

Conclusion

Funds are sufficient in the FY 2003 to FY 2006 budget and financial plan to enact the Health Services Planning and Development Amendment Act of 2003. **The proposed legislation would result in approximately \$99,114 in additional net revenue in FY 2003 and \$583,064 in additional net revenue for the SHPDA non-lapsing, revolving O-type fund in FY 2003 through FY 2006.**

The proposed legislation would generate revenue sufficient to offset the personal and non-personal services costs of the State Health Services Planning and Development Agency (SHPDA) Project Review Division in the Department of Health (DOH) for the remaining six months of FY 2003 and the FY 2004 through FY 2006 period. The legislation would authorize SHPDA to establish additional fees through rulemaking authority.

Background

As part of the FY 2003 budget reduction measures in the Budget Support Amendment Act of 2002, appropriated funding for the SHPDA was eliminated and a 13-member Certificate of Need Reform Work Group was established by Council to examine and revise the certificate of need functions performed by SHPDA. The Work Group submitted its report to Council on January 31, 2003 concluding that health planning and certificate of need functions were core public health functions that should be maintained and funded.

The proposed legislation would implement the findings of the Work Group to provide for the staffing and funding of the SHPDA Project Review Division. The funding mechanism authorized by the legislation includes a combination of Certificate of Need Application Fees and a \$4 per inpatient hospital user fee based on audited inpatient hospital admissions. The hospital user fee would be paid to SHPDA quarterly in lieu of a Certificate of Need Application Fee. The legislation also establishes a nonlapsing, revolving SHPDA Fund in the Department of Health to which all fees, civil fines and interest are to be deposited and credited. It does not permit revenues deposited in the Fund to revert to the General Fund at the end of any fiscal year or at any other time. Finally, this bill would amend the FY 2003 Budget Support Amendment Act of 2002 and the FY 2003 Budget Support Amendment Congressional Review Emergency Act of 2002 to provide that staffing of the SHPDA can continue beyond March 1, 2003.

Financial Plan Impact

The proposed legislation would result in approximately \$99,114 in additional net revenue in FY 2003 and \$583,064 in additional net revenue for the SHPDA non-lapsing, revolving O-type fund in FY 2003 through FY 2006. The proposed legislation would also establish an "O-type" fund account, thus dedicating revenues generated by the program to fund the program's operations. It is the policy of the District government to limit this practice to cases where the program funding cannot be properly accommodated through the local fund budget process. Dedicated revenues, including O-type funds, do not promote sound budgeting and spending practices because they reduce the District's flexibility to address current and future priorities, eroding the integrity of the General Fund.

Under current law, SHPDA collects revenue through Certificate of Need fees for proposed capital expenditures on new or expanding health care facilities that would not be subject to the user fee. This fee is estimated to generate \$15,000 per year. The proposed legislation would generate \$526,216 per year in new revenue through the assessment of a \$4 per in-patient admission for hospitals, paid quarterly to SHPDA. There are around 132,000 hospital admissions per year in the District. The agency would have to receive budget authority to use these additional revenues to offset their expenditures.

Total (current and new) Estimated Revenue					
	FY2003	FY2004	FY2005	FY2006	4-Year Total
Current Revenue	\$15,000	\$15,000	\$15,000	\$15,000	\$60,000
Proposed In-Patient Admission Fee (Hospitals)	\$263,108	\$526,216	\$526,216	\$526,216	\$1,841,756
Total	\$278,108	\$541,216	\$541,216	\$541,216	\$1,901,756

The proposed legislation would fund four ongoing staff, with the associated personal service (PS) costs detailed in the table on the next page. The estimates assume fringe benefits equal to 17.40 percent of base salary and 3 percent increase for inflation in each year beginning in FY 2003. Personal service costs for FY 2003 are based on the salaries that would be paid in the remaining six months of the fiscal year.

Personal Services (PS) Costs					
	FY2003 (1/2 Year)	FY2004	FY2005	FY2006	4-Yr Total
Project Review Division	\$132,802	\$273,572	\$281,779	\$290,232	\$978,384

The proposed legislation would fund ongoing non-personal service (NPS) costs. These costs include supplies, equipment, and contract expenses. These costs are detailed in the table below and assume inflationary increases of 3 percent beginning in FY 2003. Non-personal services costs for FY 2003 are based on supplies and operations expenditures that would be paid in the remaining months of the fiscal year.

Non-Personal Services (NPS) Costs					
	FY2003 (1/2 Year)	FY2004	FY2005	FY2006	4-Yr Total
Contracts, Equipment, Supplies	\$46,192	\$95,156	\$98,010	\$100,950	\$340,308

In FY 2003 through FY 2006, the revenues generated by the fee will offset an estimated \$1,318,692 of the agency's operations costs if the agency receives the budget authority to do so. With this potential offset, this legislation would result in an additional \$583,064 in revenue which would be deposited in the SHPDA fund created by the legislation. Additional fees could be levied as authorized by the proposed legislation; however, the amount and timing of any such offset is speculative and cannot be estimated at this time.

Estimated Impact to the Financial Plan					
	FY2003 (1/2 Year)	FY2004	FY2005	FY2006	4-Year Total
Revenue	\$278,108	\$541,216	\$541,216	\$541,216	\$1,901,756
Personal Services Cost	(\$132,802)	(\$273,572)	(\$281,779)	(\$290,232)	(\$978,384)
Non-Personal Services Cost	(\$46,192)	(\$95,156)	(\$98,010)	(\$100,950)	(\$340,308)
Total	\$99,114	\$172,489	\$161,427	\$150,033	\$583,064