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FISCAL NOTE

Drafting Number: LLS 18-0339
Prime Sponsors: Sen. Crowder
 Rep. Liston

Date: January 22, 2018
Bill Status: Senate Health and Human Services
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Bill Topic: CAP FEE INCREASES ASSISTED LIVING RESIDENCES

- Summary of Fiscal Impact:**
- State Revenue
 - State Expenditure
 - State Transfer
 - TABOR Refund
 - Local Government
 - Statutory Public Entity

The bill specifies that assisted living residence licensing fees set by the Department of Public Health and Environment cannot increase faster than the inflation rate. This reduces state cash fund revenue and expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 18-054

		FY 2018-19	FY 2019-20
Revenue	Cash Funds	(\$550,861)	\$564,633)
Expenditures	Cash Funds	up to (\$550,861)	up to (\$564,633)
	FTE	up to (2.5 FTE)	up to (2.5 FTE)
Transfers		-	-

Summary of Legislation

The bill specifies that any licensing fee set by the Department of Public Health and Environment (CDPHE) for assisted living residences cannot be increased by an amount greater than the inflation rate for the Denver-Boulder-Greeley statistical area, as determined by the Bureau of Labor Statistics in the United States Department of Labor. The bill applies to any increase to a schedule of fees that is in effect as of the effective date of this bill.

Background

The CDPHE licenses and inspects health facilities, including assisted living residences. Under current law, the State Board of Health has statutory authority to set fees for assisted living residence licenses to cover the direct and indirect costs of the licensing program. The CDPHE has published draft rules to increase the license fee for these facilities starting on July 1, 2018. These updated rules and fees will be considered by the State Board of Health later in 2018 following a stakeholder process. Licensing fees are deposited into the Assisted Living Residence Cash Fund, which is projected to have revenue of \$1.4 million in FY 2018-19 and \$1.5 million in FY 2019-20. According to documents submitted by the CDPHE to the Joint Budget Committee, the proposed fee increase is estimated to increase cash fund revenue by \$600,000. Table 2 outlines the current and proposed fees for assisted living residence initial licenses. Other fees such as the change of ownership fee and license renewal fee are also increased under the CDPHE proposal, but have been omitted due to space constraints and are available upon request.

Table 2
Current and Proposed Initial License Fee
for Assisted Living Residence Facilities Under Current Law

Cost Components	Current Fees	Proposed Fees
Disproportionate Low-Income Facilities	\$3,000	\$3,000
Facilities with 3 - 8 Beds	\$6,000	\$6,000
Facilities with 3-19 Beds	\$7,300	\$7,300
Facilities with 20-49 Beds	\$7,300	\$8,750
Facilities with 50-99 Beds	\$7,300	\$11,550
Facilities with 100+ Beds	\$7,300	\$14,750

Assumptions

The fiscal note assumes that the draft rules on assisted living residences, including the proposed fee increase described above, will be approved by the State Board of Health in Spring 2018 and be scheduled to take effect on July 1, 2018. Further, it is assumed that this bill, if passed, will be signed into law and take effect no later than June 8, 2018. Given that this bill will take effect prior to the effective date of the proposed rate increase, it is assumed that the any proposed rates that are greater than the rate of inflation would not take effect. The inflation rate for the Denver-Boulder-Greeley statistical area is assumed to be 3.4 percent for 2018. If this bill is enacted and the proposed rates do not take effect, the fiscal note further assumes that the CDPHE will increase all assisted living residence fees by the maximum amount allowed under the bill.

State Revenue

Based on the assumptions above, the bill is estimated to decrease revenue to the Assisted Living Residence Cash Fund in the CDPHE by \$550,861 in FY 2018-19 and \$564,633 in FY 2019-20. Table 3 provides highlights the difference in expected fee revenue under the proposed CDPHE rules and this bill.

Table 3
Projected Fee Revenue Under Current Law and SB 18-054

	FY 2018-19	FY 2019-20
Fee Revenue Under Current Rates	\$1,445,250	\$1,481,381
Fee Increase Under CDPHE Proposal	\$600,000	\$615,000
Total Fee Revenue Under Current Law	\$2,045,250	\$2,096,381
Fee Revenue Under Current Rates	\$1,445,250	\$1,481,381
Fee Increase Limited to Inflation Rate	\$49,139	\$50,367
Total Fee Revenue Under SB 18-054	\$1,494,389	\$1,531,748
NET REDUCTION UNDER SB 18-054	(\$550,861)	(\$564,633)

Fee impact on assisted living residences. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. This bill will decrease fees on assisted living residence facilities with more than 20 beds (compared to the proposed rates under consideration by the CDPHE). Fees for small and disproportionate low income facilities that are not expected to have a fee increase under the CDPHE's proposed fees may have an increase under the bill to the extent the CDPHE increases fee on these facilities up to the allowable rate of inflation. Actual fee calculations will be set administratively by the CDPHE based on cash fund balance, estimated program costs, and the estimated number of facilities subject to the fee.

TABOR Refund

The bill decreases state revenue subject to TABOR by \$550,861 in FY 2018-19 and \$564,633 in FY 2019-20. State revenue is not currently expected to exceed the TABOR limit in either year and no refund is required. Therefore, the bill is not expected to impact TABOR refunds in these years. However, refunds in future years when the state next collects a TABOR surplus will be reduced.

State Expenditures

The bill reduces cash fund expenditures in the CDPHE by up to \$550,861 and 2.5 FTE in FY 2018-19 and up to \$564,633 and 2.5 FTE in FY 2019-20 by reducing expected fee revenue for the assisted living residence licensing program. If its proposed fees are enacted by the State Board of Health, the CDPHE plans to hire additional staff and increase spending on operational and indirect costs for the program, for which the CDPHE has existing spending authority under its health facility licensing program. Given this, and since the bill prevents a future increase in spending rather than reduce current spending, no adjustment in appropriations is required at this

time. However, if adjustments are made to the CDPHE's spending authority in the FY 2018-19 Long Bill in connection with the proposed fee increase, a change in appropriations may be required. This fiscal note will be revised if new information becomes available concerning the impact of this bill on expenditures and appropriations in the CDPHE.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties
Human Services
Public Health And Environment

Health Care Policy and Financing
Information Technology