Multiple Agency Fiscal Note Summary

Bill Number: 5892 SB	**Title:** Corrections costs

Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Caseload Forecast Council	Fiscal note not available								
Department of Corrections	(16.4)	(1,945,577)	(1,740,670)	(26.0)	(5,184,650)	(4,482,116)	(26.0)	(5,184,650)	(4,482,116)
Total	**(16.4)**	**$(1,945,577)**	**$(1,740,670)**	**(26.0)**	**$(5,184,650)**	**$(4,482,116)**	**(26.0)**	**$(5,184,650)**	**$(4,482,116)**

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Kate Davis, OFM	**Phone:** (360) 902-0570	**Date Published:** Preliminary 4/11/2013

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 35556

Individual State Agency Fiscal Note

Bill Number: 5892 SB	Title: Corrections costs	Agency: 310-Department of Corrections

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	(7.5)	(25.3)	(16.4)	(26.0)	(26.0)
Account					
General Fund-State 001-1	244,134	(2,189,711)	(1,945,577)	(5,184,650)	(5,184,650)
General Fund-Private/Local 001 -7	0	204,907	204,907	702,534	702,534
Total $	244,134	(1,984,804)	(1,740,670)	(4,482,116)	(4,482,116)

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Carma Matti-Jackson	Phone: 786-7454	Date: 04/03/2013
Agency Preparation:	Alan Haskins	Phone: 360-725-8264	Date: 04/11/2013
Agency Approval:	Sarian Scott	Phone: (360) 725-8270	Date: 04/11/2013
OFM Review:	Kate Davis	Phone: (360) 902-0570	Date: 04/11/2013

Request # 129-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 amends RCW 9.94A.517 by changing the high end of the sentencing range of Seriousness Level I, offender score 3 to 5, from 18 months down to 12 months.

Section 2(4) amends RCW 9.94A.190 establishing new rules regarding where a sentence is served, stating any offender that is in jail prior to transferring to prison that has less than 120 days left to serve, shall stay at the jail. The Department of Corrections (DOC) shall rent capacity from local and tribal governments. This requirement is subject to the availability of funds appropriated for this specific purpose.

Section 2(4)(a) provides that DOC shall rely on the original offender assessments and evaluations conducted at the local level for these offenders, and requires the local and tribal governments provide a single copy of records of these offenders to DOC.

Section 2(4)(b) provides that for offenders that require supervision upon release, DOC shall continue to review and approve the housing locations pursuant to a modified offender release plan.

Section 2(4)(c) provides that DOC may establish by rule exceptions for certain types of offenders or exceptional circumstances to the above.

Section 3(3) amends RCW 9.94A.729 by adding language that states the maximum amount of possible earned time in this section does not include the positive time credit created in subsection (4) of this section.

Section 3(4) amends RCW 9.94A.729 creating a 30 day additional earned release credit for offenders that have at least 12 months of confinement remaining that:
>do not commit a serious infraction, as defined in rule, during the last 12 months prior to the offender’s earned release date;
>successfully complete a DOC approved program or activity, and must be completed at least six (6) months prior to the offender’s earned release date, that has not previously been attempted or completed; and
>continue to participate in all other programming or activities as directed by the individual release plan.

Also states that failure to participate in all other programming or activities as directed shall result in a permanent revocation of the additional earned release credit.

Section 4 adds a new section to chapter 9.94A RCW that directs DOC to develop and maintain optional programs or activities that may be used for the 30-day earned release credit pursuant to RCW 9.94A.729(3).

Section 5 provides that DOC authority to develop and implement rules and policies pursuant to RCW 9.94A.729.

Section 6(3) amends RCW 70.48.130 to provide that hospitals licensed under chapter 70.41 RCW shall contract with a correctional facility for inpatient, outpatient, and ancillary services if deemed appropriate by the correctional facility. A correctional facility may contract with DOC, at the correctional facility's expense, to participate in the provider one system (P1) operated by the Washington state Health Care Authority (HCA) for payment of hospital services.

Section 7 is a new section added to 70.41 RCW that provides as a condition of licensure a hospital must contract with a correctional facility, as defined in RCW 70.48.020.

Section 8 states Section 1 applies to any sentences imposed on or after July 1, 2013, regardless of the date of offense.

Section 9 creates a severability clause.

Section 10 states Sections 1, 2, 4, and 5 are effective July 1, 2013.

Section 11 states Section 3 takes effect September 1, 2013.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 6(3) results in cash receipt impacts in General Fund Local. The GFL impacts shown are for the ongoing DOC fiscal impacts as local correctional facilities will pay DOC to participate in the provider 1 system operated by the Washington State Health Care Authority.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Fiscal impact is estimated at over $50,000 cost per Fiscal Year (FY).

This bill makes significant changes to current practice at DOC to include, but not limited to, drug grid sentencing changes; offenders no longer coming to DOC if they have less than 120 days to serve; 30 day additional earned release credit for offenders that have at least 12 months of confinement remaining under certain conditions, management of jail bed contracts; offender programming and treatment in prison; and management of medical claims. There are savings and costs in this bill.

The estimated fiscal impacts of (-136) ADP, an increase of $244,134 and (-7.5) FTE's in FY2014, (-316) ADP, $(1,984,804) and (-25.3) FTE's in FY2015, and (-328) ADP, $(2,241,058) and (-26.0) FTE's in FY2016 and each year thereafter. These are estimates that rely heavily on the assumptions we have made, and additional workload and cost impacts may result and will need to be revisited.

Section 1 of this bill amends the drug grid (RCW 9.94A.517) by changing the standard range of one cell (Seriousness Level I, score 3 to 5) in which a sentence could be imposed ranging between 6 months and one day (6+) to 18 months, to a sentence range of 6+ to 12 months. This change results in sentences imposed being presumptive jail sentences, rather than current option of either prison or jail, depending on the length of sentence imposed.

The Caseload Forecast Council (CFC) reports the following Average Daily Population (ADP) reductions for DOC as follows: FY2014 (-92) ADP and FY2015 and every year after (-126) ADP.

Section 2 of this bill requires offenders that have 120 days or less left to serve when sentenced, that would otherwise be required to serve such sentence at a DOC facility, to stay at the local or tribal correctional facility. This requirement is dependent upon funding provided specifically for this purpose.

Section 2(4) establishes new rules regarding where a sentence is served, stating any offender that is in jail prior to transferring to prison that has less than 120 days left to serve, shall stay at the jail and be compensated by DOC for the time period the offender would have served in a state correctional facility. Section 2(4)(c) provides that DOC may establish by rule exceptions for certain types of offenders or exceptional circumstances to Section 2(4). Any offender admitted with less than 120 days between admit and the Early Release Date (ERD), DOC assumes do not have major medical issues, as the county would have sentenced & transferred any offenders with medical issues sooner (to have less than 120 day estimated length of stay, there must be about 5 months pre-sentence credit).

DOC costs associated with this section of the proposed bill include a reduction in DOC institution ADP offset by an increase in new jail bed contract costs. To calculate impact we relied on historical data. In FY2012, there were 289 offenders admitted to DOC for a sentence in which the offender had a length of stay of less than 120 days to their earned release date or was released within 120 days of admission. Based on the overall days served in FY2012, DOC estimates the ADP effects of offenders that would no longer be housed in a DOC Institution to be (-44) ADP in FY2014 and (-52) ADP in FY2015 and each FY thereafter. Given the Senate Budget proviso language, DOC assumes an estimated jail bed rate of $70.00 per day per offender, to include medical costs.

Workload associated with accounts payable and management of rented jail bed contracts, and usage and verification of offender movement will require additional staffing to meet these needs. DOC estimates 1.0 additional position for each of the following functions; accounts payable and jail bed contract monitoring and management (review, audit billed amount against allowed amounts) for a total of 2.0 positions. The estimated cost for these positions is $149,608, using an average cost per position of $74,804 to include salary, benefits, goods and services and travel. Additionally, DOC will need time to establish the contracts with local correctional facilities that are specific to this section. DOC will need an estimated six (6) months to achieve signed contracts will an estimated 60 local correctional facilities, which is based on our experience in coordinating violator contracts.

Section 3(4) amends RCW 9.94A.729 creating a thirty (30) day additional earned release credit for offenders that have at least 12 months of confinement remaining that; do not commit a serious infraction during the last 12 months; successfully completes a DOC approved program or activity that has not previously been attempted or completed; and continues to participate in all other programming or activities as directed by the individual release plan. Also states that failure to participate in all other programming or activities as directed shall result in a permanent revocation of the additional earned release credit.

DOC costs associated with this section of the proposed bill include a reduction in DOC institution ADP. In FY2012, there were 1,829 offenders released from DOC confinement that met the provisions of this subsection. This act is prospective and effective 09-01-2013. The first offenders available for the 30-day earned release credit will be those released in August 2014. No savings will occur in FY2014 and 11 months of savings will be realized in FY2015. The

ADP savings is calculated by multiplying the 30 days reduced per offender, who meet this criteria and dividing by the days in the year (1,829 X 30 / 365 = 150 ADP) for each full year after phase in. The phase in ADP in FY2015 for 11 months is 138 (rounded).

Workload associated with calculating and adjusting offender release dates, processing the offenders and coordinating and managing the additional offender programming will require additional staffing to meet these needs. DOC estimates 1.0 Full Time Equivalent (FTE) is needed to manage the higher volumes of short term inmates at the Washington Corrections Center (WCC). DOC also estimates 1.0 FTE for volunteer coordination in order to boost statewide volunteerism, in which two functions will be addressed; 1) Increase/coordinate the number of volunteer programs statewide; and 2) Move in the direction of greater standardization e.g., training, curriculum, etc of our volunteer effort. The estimated cost for these 2.0 FTEs is $149,608, using an average cost per position of $74,804 to include salary, benefits, goods and services and travel.

Section 6(3) amends RCW 70.48.130 to provide that hospitals licensed under chapter 70.41 RCW shall contract with a correctional facility for inpatient, outpatient, and ancillary services if deemed appropriate by the correctional facility. A correctional facility can contract with DOC to participate in the provider one system (P1) operated by the HCA for payment of hospital services. DOC will have workload impact associated with the implementation phase, on-going costs associated with managing payments, and cost savings related to the lower health care rates.

Fiscal impact to DOC is broken out into two (2) parts: implementation/set-up and ongoing costs. We assume implementation is funded by general fund state dollars to get this functionality and Provider1 ready for the local correctional facilities participation. We assume the ongoing costs are funded by local funds given the bill language specifically states it is at the correctional facility's expense.

Our estimated impact in FY2014 is $460,515 and 3.0 FTEs for an implementation team (this breaks down as follows: $250,515 for staffing and $210,000 for Provider One costs).

The estimated cost in FY2015 is a total of $197,493. This is for the six (6) remaining months of implementation (estimated cost is $125,257), and for the seven (7) months of on-gong staffing costs estimated at $204,905 and 2.92 FTEs (affords one (1) month crossover between ongoing and implementation staffing), and offset cost savings of ($132,669) for six (6) months in FY2015 - when the program goes live.

FY2016 and each FY thereafter includes a total cost of $85,927 for on-going staffing, offset by program savings.

This bill will require considerable coordination. The coordinated process is assumed to be as follows: hospitals will bill directly to the Health Care Authority (HCA) and the Provider One system, then the DOC Medical Disbursement Unit (MDU) will adjudicate and process authorizations of payments via Provider One, then HCA will pay the hospitals for services rendered, then HCA will bill DOC for the money they paid out to the hospitals, then DOC will pay HCA, then DOC will bill the local correctional facilities, and finally DOC will be reimbursed by the local correctional facilities.

Implementation Costs as follows: DOC will have workload impact associated with the implementation phase. This is anticipated to take an estimated 18 months. Our workload is estimated at $250,515 and 3.0 Full Time Equivalents (FTEs) in FY2014 (1.0 Project Manager in our Health Services division, 1.0 IT Project Manager in our Administrative

Services division, and 1.0 Fiscal Analyst 5 in our Administrative Services division). We also will incur an estimated $210,000 in costs in FY2014 associated with reprogramming the HCA Provider One system. We estimate costs of $125,257 and 1.5 FTE (0.5 Project Manager in our Health Services division, 0.5 IT Project Manager, and 0.5 Fiscal Analyst 5) in FY2015, which represents six (6) months of staffing effort in FY2015 that ends 12/31/2014.

The Health Services project manager will be responsible for coordinating with the Washington Association of Sheriff's and Police Chiefs (WASPC), HCA, and city/county/regional jurisdictions to continue establishing requirements and developing business processes to ensure the process works correctly. DOC will need to contract with each county/city jail that agrees to be part of Provider One, and new contracts will be an output of this effort. The project manager will also ensure that payment processing procedures are updated and work correctly. The IT project manager will ensure successful technology solutions to include the Offender Management Network Interface (OMNI) and will ensure that all facets of DOC's divisions have timelines and are keeping on task. Significant resources and requirements will be required from IT for interfaces and data solutions, legal and contracts in establishing and maintaining contracts with local jurisdictions. The FA5 in business services will ensure success in DOC billing jurisdictions, receivables, and establishing gaining reports. The $210,000 Provider One estimate represents one (1) connection between DOC and Provider One, and this connection would manage the interface records for all of the jurisdictions. This will also be a change between OMNI and HCA, which will be DOC's responsibility initially, because the transaction will be between DOC and HCA. The cities and counties will be reporting costs for updating their interface with DOC to send us the data we need to pass to Provider One.

On-going Costs:
DOC will have workload impact associated with ongoing costs for staffing and the Provider 1 system ongoing costs. We estimate a cost of $204,905 and 2.92 FTEs (0.58 Medical Project Specialist 3, 1.17 Medical Adjudication Specialist 3, 0.58 IT Specialist 4, and 0.58 Fiscal Analyst 4), which represents seven (7) months of staffing efforts, in FY2015 (12/01/2014-06/30/2015) and then $351,266 for 5.0 FTEs (1.0 Medical Project Specialist 3, 2.0 Medical adjudication Specialist 3, 1.0 IT Specialist 4, and 1.0 Fiscal Analyst 4) for a full year of staffing efforts in FY2016 and each FY thereafter. This staffing level was determined by comparing the WASPC 2011 statistics of average ADP for local justifications to DOC's. Their volume is about 86% of the number of offender's DOC pays medical claims on. However, the approval processes for payment and adjudication of medical claims will not be quite as straight forward as for DOC clients. We are assuming initially that 50% of the jails will participate and depending on that rate, the staffing model may be subject to change. The MPS3 will be responsible for overseeing all payments made for all jurisdictions, and the communications between DOC and jail administrators for each site. The MAS3's will be responsible for obtaining all payment approvals, and authorizing/processing payments for all jurisdictions, which will require additional verifications in comparison to DOC's payment process for prison offenders. The ITS4 will be responsible for managing the data feed's related to local jurisdictions, and developing standardized reports. The FA4 will be responsible for overseeing, reconciling, and developing aging reports for all receivables for the local jurisdictions, billing and communicating with all participating jurisdictions.

Calculations:
ADP changes: FY2014 Drug Grid (-92), Rented Beds from Jails (-44), and 30 day earned release credit (0), total ADP reduction of (136) for FY2014. FY2015 Drug Grid (-126), Rented Beds from Jails (-52), and 30 day earned release credit (-138), total ADP reduction of (-316) for FY2015. FY2016 Drug Grid (-126), Rented Beds from Jails (-52), and 30 day earned release credit (-150), total ADP reduction of (-328) for FY2016 and each thereafter.

Prison ADP Cost Reductions: FY2014 (-136) ADP X $12,057 annual reduction = $(1,639,796) and (-14.5) Full Time Equivalent (FTE's). FY2015 (-316) ADP X $12,057 annual reduction = $(3,810,113) and (-33.7) FTE's. FY2016 and each year thereafter (-328) ADP X $12,057 annual reduction = $(3,954,801) and (-35.0) FTE's. All calculations include rounding factors incorporated in the detail working papers.

Rented Jail bed costs for FY2014 of 44 ADP X $70 rental rate X 365 days = $1,124,200 and FY2015 and each year thereafter of 52 ADP X $70 rental rate X 365 days = $1,328,600.

Total fiscal impacts for this proposal:
FY2014 $244,134 and FTE's of (-7.5)
FY2015 $(1,984,804) and FTE's of (-25.3)
FY2016 $(2,241,058) and FTE's of (-26.0)
FY2017 $(2,241,058) and FTE's of (-26.0)
FY2018 $(2,241,058) and FTE's of (-26.0)
FY2019 $(2,241,058) and FTE's of (-26.0)
Assumptions:

1. ADP impacts to beds at DOC facilities is assumed at the current population spread of male and female out of total population. Males represent 93% of total, and women 7%.

2. We assume new local correctional facility contracts are necessary for section 2 to occur. We assume this will take an estimated six (6) months to get done based on our experience with violator contracts.

3. The 120 day ADP reduction calculation excluded offenders included in the drug grid sentencing change calculation, as well as offenders that received Drug Offender Sentencing Alternative (DOSA) sentences. ADP not included is seven (7) in FY2014 and eight (8) in FY2015. Our ADP impacts represent our best estimates, with double-counts if an offender could be in multiple sections, removed. Offenders included in the drug grid sentencing changes calculation were excluded from

4. Any offender that admitted with less than 120 days between admit and ERD, DOC assumes do not have medical issues, as the county would have sentenced & transferred any offenders with medical issues sooner (to have less than 120 day estimated length of stay, there must be about 5 months pre-sentence credit). We assume we will need to revisit/reconcile this as we move forward to be sure we have sufficient funding.

5. Workload increase for accounting and management of rented jail bed contracts, usage and verification of offender movement and body status is estimated at this time. Further review will need to occur as implementation develops.

6. Section 3(4) includes a component that allows offenders who successfully complete a DOC approved program or activity that has not previously been attempted or completed may earn an additional earned release credit of 30 days. DOC assumes this programming or activity is heavily supported through the volunteer program and within the existing offender programming funding. Further review will need to occur as implementation develops to determine if the additional need for resources will be required to meet this provision of the bill.

7. Section 2(4)(a) states DOC must rely on the offender assessment and evaluation conducted at the local level for these offenders and requires the local and tribal governments provide a single copy of records of these offenders to DOC. We assume this subsection does not include the offender risk assessment, as DOC is required to provide per RCW 9.94A.729

8. Assumes Section 2(4) is funded fully for actual ADP as per Proposed Substitute Senate Bill 5034 (S-2445.2/13 2nd draft).

9. Jail Bed rates per the Proposed Substitute Senate Bill 5034 (S-2445.2/13 2nd draft).

10. DOC, using CFC FY12 sentences and DOC last custody level, assumes the custody level ADP impact for Section 1 that changes the high end of the sentencing range of Seriousness Level I, offender score 3 to 5, from 18 months down to 12 months is:
•3% Close/Maximum Custody
•28% Medium Custody
•69% Minimum Custody

11. DOC, using a snapshot of FY12 admissions with less than 120 days to ERD, assumes the custody level ADP impact for Section 2 that establishes new rules regarding where a sentence is served, stating any offender that is in jail prior to transferring to prison that has less than 120 days left to serve, shall stay at the jail is:
•3% Close/Maximum Custody
•65% Medium Custody
•32% Minimum Custody

12. DOC, using FY2012 releases and the custody levels prior to release, assumes the custody level ADP impact for Section 3 creating a 30 day additional earned release credit for offenders that have at least 12 months of confinement remaining that is:
•3% Close/Maximum Custody
•26% Medium Custody
•71% Minimum Custody

13. Section 2(4) DOC assumes offenders in contracted jail beds will continue to be eligible for housing vouchers.

14. For section 6, we assume a staffing level that supports 50% of the counties participating in the program. If the participation is higher, we will need additional resources that are not included in this fiscal note estimated cost.

15. For section 6, we assume cost savings associated with lower health care rates of $132,669 in FY2015 (given only six (6) months) and $265,339 in FY2016 and each year afterwards. A breakdown follows: $224,326 is DOC related, while $41,012 is jails related. Costs are shown in object N.

16. For section 6, we assume implementation costs of $585,772 with 3.0 FTEs over the course of an 18 month period starting 07-01-2013 (FY2014) through 12-31-2014 (FY2015).

17. For section 6, we assume the Provider One connection will cost $210,000 and will begin in FY2014. The amount is from HCA. It is based on the cost to program Provider 1 (P1) for DOC business plus an amount due to a renegotiation of the contract for P1 operation. It is for reprogramming of P1 to allow the new type of billings to be adjudicated and paid.

18. For section 6, we assume on-going costs of $204,905 for 2.92 FTEs (5 positions for seven (7) months) in FY2015 and $351,266 for 5.0 FTEs (full year cost) in FY2016 and each FY thereafter.

19. For section 6, costs assume the on-going Provider One maintenance costs of $10,000 starting in FY2015 and each FY thereafter will be paid by the counties.

20. For section 6, we estimate costs of $460,515 in FY2014, $207,493 in FY2015, $95,927 in FY2016 and each FY thereafter.

21. For section 6, as a result of this bill, DOC will see a reduction in the medical expenditures for violators. There are efficiencies that DOC will realize by processing payments for medical services provided to violators held in local jurisdictions directly through Provider One. These efficiencies will not result in a reduction in staffing, but will allow payments made for DOC prison offenders to be made in a more timely manner.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	(7.5)	(25.3)	(16.4)	(26.0)	(26.0)
A-Salaries and Wages	(336,975)	(1,290,522)	(1,627,497)	(2,707,972)	(2,707,972)
B-Employee Benefits	(172,642)	(533,614)	(706,256)	(1,094,062)	(1,094,062)
C-Professional Service Contracts					
E-Goods and Other Services	(417,276)	(975,226)	(1,392,502)	(2,015,624)	(2,015,624)
G-Travel	2,467	3,496	5,963	7,988	7,988
J-Capital Outlays	210,000		210,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	958,560	811,062	1,769,622	1,327,554	1,327,554
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$244,134	$(1,984,804)	$(1,740,670)	($4,482,116)	$(4,482,116)

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Miscellaneous Staffing	52,000	(7.5)	(25.3)	(16.4)	(26.0)	(26.0)
Total FTE's	52,000	(7.5)	(25.3)	(16.4)	(26.0)	(26.0)

III. C - Expenditures By Program (optional)

Program	FY 2014	FY 2015	2013-15	2015-17	2017-19
Administrative Services (100)	168,132	175,793	343,925	314,486	314,486
Institutional Services (200)	76,002	(2,160,597)	(2,084,595)	(4,796,602)	(4,796,602)
Total $	244,134	(1,984,804)	(1,740,670)	(4,482,116)	(4,482,116)

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 5892 SB	**Title:** Corrections costs

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Savings for jail healthcare costs
- [X] Counties: Increased costs from increased inmate populations; increased revenue from the Department of Corrections; savings for jail healthcare costs
- [X] Special Districts: Reduced revenues for some public hospital districts
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [X] Expenditures represent one-time costs: Costs to jails to implement new system of reimbursements including amending or initiating contracts; costs to public hospital districts for amending or initiating contracts
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: Reimbursement rate to jails is subject to appropriation; number of inmates that would be subject to the provisions of Section 1

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Graham Parrington	Phone: 360-725-2733	Date: 04/10/2013
Leg. Committee Contact: Carma Matti-Jackson	Phone: 786-7454	Date: 04/03/2013
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 04/10/2013
OFM Review: Kate Davis	Phone: (360) 902-0570	Date: 04/10/2013

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

Section 1 would amend RCW 9.94A.517 to modify the drug sentencing grid so that any offender who commits a seriousness level 1 drug offense and has a criminal history score within the range of three to five, would serve from six to 12 months instead of six to 18 months; therefore, sentences would be more likely to be served jail unless an exceptional sentence is imposed.

Section 2 would amend RCW 9.94A.190 so that if an offender has less than 120 days to serve of his or her sentence at the time when the offender would otherwise be transferred to a state correctional facility, the Department of Corrections (DOC) shall rent capacity from local and tribal governments to house offenders in the local correctional facility for the remainder of his or her sentence, subject to the availability of funds appropriated for this specific purpose. The DOC may establish by rule exceptions for certain types of offenders or exceptional circumstances.

Section 6 would amend RCW 70.48.130 to require providers of hospital services that are hospitals licensed under chapter 70.41 RCW to contract with a correctional facility for inpatient, outpatient, and ancillary services if deemed appropriate by the correctional facility. The correctional facility would only be able to reimburse a provider of hospital services at a rate no more than the amount payable under the Medicaid reimbursement structure, plus any additional amount provided specifically for this purpose in the state omnibus appropriations act, regardless of whether the hospital is located within or outside of Washington. A correctional facility would be able to contract with the DOC to participate in the Provider One system operated by the Washington State Health Care Authority for payment of hospital services pursuant to this section.

Section 7 would add a new section to chapter 70.41 RCW to establish that as a condition of licensure, a hospital must contract with a correctional facility as defined in RCW 70.48.020.

Section 8 would make Section 1 applicable to sentences imposed on or after July 1, 2013, regardless of the date of the offense.

Section 10 would make sections 1, 2, 4, and 5 of this act effective July 1, 2013, and declare them necessary for the immediate preservation of the public peace, health, safety, or support of the state government and its existing public institutions.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

SUMMARY OF EXPENDITURES:
This bill would result in indeterminate expenditure impacts for county and municipal jails, and for public hospital districts.

EXPENDITURE IMPACTS FOR SECTION 1:
The weighted average daily cost per jail bed is $80, according to the 2011 Local Government Fiscal Note Program (LGFN) survey of jails. Section 1 would have expenditure impacts of $1,518,400 (52 inmates X $80 per day X 365 days) in FY 2014 and $2,365,200 (81 inmates X $80 per day X 365 days) to county jails as a result of an increase in inmates sentenced to six to 12 months instead of six to 18 months incarceration, based on Caseload Forecast Council projections.

EXPENDITURE IMPACTS FOR SECTION 2:
The DOC estimated in 1842 HB (2013) that the jails will see an increase in annual jail populations of 72 offenders in fiscal year 2014 and 83 offenders in subsequent years. Therefore, jails would see increased costs of $2,102,400 ($80 x 72 offenders x 365 days) in fiscal year 2014 and $2,423,600 ($80 x 83 offenders x 365 days) in fiscal year 2015 and subsequent years. The costs vary between jails, and these estimates do not take inflation into account. As a result, the total impacts are indeterminate.

EXPENDITURE IMPACTS FOR SECTION 6:
The legislation would result in savings for city and county jails of approximately $1.7 million per year. It would also result in indeterminate costs for jails and for the public hospital districts in Washington to implement a new payment structure for jail medical costs.

Within the last year, the Washington Association of County Officials and the Department of Corrections (DOC) surveyed city and county jails about their current medical costs for inmates and how these costs are paid. Over half of the jails responded to these questionnaires. The results indicate a variety of current processes in regards to paying for medical costs. For instance, of the jails which responded, 16 do not have contracts in place with hospitals while 12 indicated that they do. The rates paid for medical services varied from fee structures based on Medicaid rates to an individualized provider fee schedule. The DOC compiled the responses from these surveys and analyzed the results.

DOC concluded that of the counties that reported they are currently receiving Medicaid rates, the average percentage of costs paid compared to costs billed is 36 percent. DOC factored in a number of other variables to conclude that the estimated savings for city and county jails would be $1,735,043 if they all began paying for medical services at the Medicaid reimbursable rate. Information from the Washington Association of County Officials and the Washington Association of Sheriffs and Police Chiefs indicated that this was a reasonable estimate of savings under the bill.

There would be indeterminate costs to implement the new system. Under the bill, jails could either contract with a hospital directly or with DOC to participate in the Provider One system. Therefore, jails would need to amend or nullify their current contracts with the hospitals and initiate new contracts. This would involve staff and legal counsel time and in some cases necessitate action by a city council or county commission to approve the new contract.

The public hospital districts would see indeterminate costs under the bill. Data were not available to assess the total number of public hospitals currently providing services and care compared to other providers, but the data that are available indicate that at least six public hospital districts provide services to inmates in local jails, none of which was provided under contract, and all of which was billed at Medicaid rates. Public hospitals contracting with jails would similarly see costs to initiate new contracts and implement new processes for medical service billing.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

REVENUE IMPACTS TO COUNTY JAILS:
Section 2 allows an offender with less than 120 days of his or her sentence to serve the remainder of his or her sentence in the local correctional facility. In the Senate Budget (5034 ESSB), there is an appropriation of $70 per day. The Caseload Forecast Council provided estimates of how many offenders would serve their sentences at local correctional facilities under the bill. At the $70 rate of reimbursement, counties would see revenue of $1,839,600 in fiscal year 2014 (72 inmates X $70 per night X 365 days), and $2,120,650 (83 inmates X $70 per night X 365 days) in subsequent years. The weighted average daily cost per bed was $80 using 2011 data; therefore it is assumed that this revenue would not be sufficient to cover costs for all jurisdictions, especially King County which has a daily bed cost of $126 per bed per day.

REVENUE IMPACTS TO PUBLIC HOSPITAL DISTRICTS:
The public hospital districts (PHD) may see indeterminate decreases in revenue under the bill as a result of Sections 6 and 7. Complete data were not available to assess the total number of public hospital districts that would be affected by this legislation. However, the data available from a survey conducted by Washington Association of Counties and the Department of Corrections indicates that at least six public hospital districts provide care to inmates in county and municipal jails, though all of the jails accessing care through those PHDs already are paying Medicaid rates. It is therefore possible that any revenue impacts for PHDs could be minor.

According to the Washington State Hospital Association and the Health Care Authority, Medicaid pays 96 percent of the actual costs for inpatient medical services and 58.8 percent of the costs for outpatient services. Therefore, the Local Government Fiscal Note Program (LGFN) assumes that hospitals could see lower payments for services if they increased the services they provide based on a Medicaid reimbursable fee structure.

SOURCES:
Department of Corrections Fiscal Note for 1842 HB (2013)
Local Government Fiscal Note for 1842 HB (2013)
Local Government Fiscal Note for 5792 SB (2013)
Washington Association of Sheriffs and Police Chiefs
Washington State Hospital Association
Washington Association of County Officials
Washington State Association of Counties
Caseload Forecast Council