Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Am. Sub. S.B. 147** DATE: **December 18, 2008**

STATUS: **As Passed by the House** SPONSOR: **Sen. Faber**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Prison health professional recruitment program and Correctional Institution Inspection Committee**

State Fiscal Highlights

STATE AGENCY	FY 2009 – FUTURE YEARS
Department of Rehabilitation and Correction (GRF and/or Other State Funds)	
Revenues	- 0 -
Expenditures	Potential decrease in certain medical services payroll expenses, annual magnitude function of: (1) applicant demand, and (2) available funding to cover "upfront" expenses
Correctional Institution Inspection Committee (GRF)	
Revenues	- 0 -
Expenditures	Potential, minimal at most, annual savings effect

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

- ***Department of Rehabilitation and Correction (DRC).*** The bill extends DRC's currently authorized recruitment program for physicians to include nurses, dentists, optometrists, and psychologists. Theoretically, the differential in the payroll costs associated with a nurse or other health professional working as a civil service employee and the amount currently paid to that health professional under a personal services contract with the Department, even after the repayment costs are factored in, reduces DRC's annual payroll-related medical services expenditures. However, based on LSC fiscal staff's research to date, how viable the program will actually be as a recruitment tool for nurses and other health professionals is difficult to project, which means the magnitude of any potential annual savings is uncertain.

- ***Correctional Institution Inspection Committee (CIIC).*** The bill's CIIC-related provision will generally improve the efficiency with which inspections are conducted, and create a potential savings effect, the magnitude of which in terms of budgetary dollars and cents is difficult to precisely estimate. That said, the potential savings in CIIC's annual operating expenditures is likely to be minimal at most, if that.

Local Fiscal Highlights

- No direct fiscal effect on the revenues or expenditures of the state's political subdivisions.

Detailed Fiscal Analysis

Physician recruitment program

Under current law, the Department of Rehabilitation and Correction (DRC) has the authority to establish a physician recruitment program pursuant to which the Department enters into a contract with a physician who agrees to work for DRC as a civil service employee for a specified period of time and, in exchange, the Department agrees to repay all or part of the principal and interest of a government or other educational loan taken by the physician for certain educational expenses.

Theoretically, the differential in the payroll costs associated with a physician working as a civil service employee and the much higher amount currently paid to a physician under a personal services contract with the Department, even after the repayment costs are factored in, reduces DRC's annual medical services expenditures. According to DRC medical personnel, the Department does not operate such a program because the civil service pay scale for physicians is too low to attract applicants even with the repayment provision.

Program expansion to include recruitment of other health professionals

Nurses. The bill extends DRC's currently authorized physician recruitment program to include nurses. (The bill defines "nurse" to include a registered nurse or licensed practical nurse.) The Department has experienced, and continues to experience, difficulty in the recruitment and retention of nurses as civil service employees and, as a result, has had to rely on contract staff and overtime utilization in order to meet its nursing coverage needs.

Most of the nurses currently under contract with DRC are obtained from any of 20-plus health care staffing agencies that are on State Term Schedule. The average annual cost for a full-time registered nurse (RN) from one of these staffing agencies is approximately $104,000. If that RN were a civil service employee, the average starting salary, including benefits, would be $65,062. The difference between those two costs is $38,938, which represents the potential annual savings to the Department for each nursing position that is filled by a civil service employee rather than covered by a contractor. This potential savings would then be reduced by the magnitude of the repayment for certain educational expenses incurred by the nurse.

Other health professionals. The bill also expands the program to include the recruitment of dentists, optometrists, and psychologists. At this time, the fiscal effect would be very different from the incorporation of nurses into this program since the Department does not recruit nurses and these other health professionals in the same manner. For example, due to the differences in workloads at its correctional institutions, there are fewer dentists employed by DRC; these individuals are typically working under personal services contracts and are not civil service employees. Currently, three dentists at DRC's senior management level are civil service employees. Based on the current job market conditions, it does not appear that the recruitment program's expansion will immediately affect DRC's ability to recruit, hire, and retain dentists, optometrists, and psychologists as civil service employees.

Even though DRC currently provides for institutional dental services through personal services contracts, future budget cuts, as well as the settlement process for the *Fussell v. Wilkinson* lawsuit alleging constitutionally improper medical care, which now includes dental services, may compel the Department to consider the recruitment of other health professionals as civil service employees. Should this occur, the Department's perspective is that the bill will give it a viable recruitment tool, and at that point a more tangible level of savings would likely begin to occur, assuming tuition reimbursement is a sufficient incentive to attract newer health professionals.

Local fiscal effects of state recruitment program

The bill will have no fiscal effect on the revenues and expenditures of the state's political subdivisions.

Correctional Institution Inspection Committee (CIIC)

The bill makes changes to the operations of CIIC, most specifically by requiring inspections to include at least one staff person, while allowing, but no longer requiring, members to participate in inspections. Based on a conversation with the Executive Director of CIIC, LSC fiscal staff has discerned that CIIC staff will be able to more easily perform the statutory charge to conduct certain inspections, as member participation would no longer be required. The impact of this CIIC provision generally will be to improve the efficiency with which inspections are conducted, and create a potential savings effect, the magnitude of which in terms of budgetary dollars and cents is difficult to precisely estimate. That said, the potential savings in CIIC's annual operating expenditures is likely to be minimal at most, if that.

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