OFA Fiscal Note

State Impact:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund-Effect</th>
<th>FY 20 $</th>
<th>FY 21 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various State Agencies (may include Depts. of Developmental Services, Mental Health and Addiction Services, and Social Services)</td>
<td>GF - Cost</td>
<td>None</td>
<td>See Below</td>
</tr>
</tbody>
</table>

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which makes an optional Office of Policy and Management (OPM) incentive program into a mandatory pilot program, will result in costs to agencies required to participate. These costs cannot be determined at this time. Under the bill, the pilot program must allow eight participating providers to keep a portion of any savings they realize from contracted services as long as they meet their contractual requirements. The bill does not specify what percentage of the savings OPM will allow participating providers to retain.

For illustrative purposes, providers funded by the Department of Developmental Services (DDS) incurred actual expenditures of $1.2 million less than the amount they received from the agency in FY 17.
DDS retained 100% of the savings achieved under the contracts.\(^1\) If these providers had been allowed to retain 20% of the savings ($240,000), DDS would have retained 80% ($960,000), resulting in a net cost to the agency of $240,000.

The three state agencies that primarily contract with nonprofit providers of services to persons with intellectual, physical, or mental disabilities are DDS, the Department of Mental Health and Addiction Services and Department of Social Services. It is anticipated that FY 20 pilot program costs will be incurred in FY 21, when the reporting of program payments and expenditures is finalized.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future based on cost savings achieved by providers and the percentage they are allowed to retain. The bill does not specify an end date for the pilot program.

*Sources:* Core-CT Financial Accounting System  
OPM - Purchase of Service Contracts Report 2018

\(^1\)The $1.2 million was reflected in the following fiscal year (FY 18) at which time program accounting was finalized.