

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 17, 2011
POSITION: Oppose
SPONSOR: California Senior Legislature, California
Advocates for Nursing Home Reform

BILL NUMBER: SB 897
AUTHOR: M. Leno
RELATED BILLS: SB 1329 - Leno
(2010)

BILL SUMMARY: Elderly Residential Care Facilities

This bill would require the licensee of a Residential Care Facility for the Elderly (RCFE) to notify the State Long-Term Care Ombudsman (Ombudsman) within two business days if an event reflecting financial distress occurs, as specified. The bill also would require the licensee of an RCFE to notify the Department of Social Services (DSS), Ombudsman, all residents of the RCFE, applicants for potential residence, and, if applicable, their legal representatives if the facility is facing a foreclosure, bankruptcy, or unlawful detainer action. In these specific instances, this bill would authorize the DSS to initiate some form of administrative action against the licensee. Licensees that fail to comply with these notification requirements may be liable for civil penalties.

FISCAL SUMMARY

This bill would result in estimated costs of \$41,000 (\$25,000 General Fund) in fiscal year 2011-12 and \$68,000 (\$41,000 General Fund) in 2012-13 and annually thereafter due to an increase in DSS workload. The DSS estimates it would need 1.0 permanent Licensing Program Analyst position to perform mandatory complaint visits initiated by the Ombudsman, initiate administrative actions against licensees of RCFEs in specific instances of financial distress, and assess and collect civil penalties. This workload would be unabsorbable without redirecting existing resources from other high priority licensing activities. It is unknown how much revenue would be generated from the collection of civil penalties, but the DSS does not anticipate it to be significant given that licensees experiencing foreclosure will not have the financial resources to pay additional civil penalties.

This bill would result in minor additional workload for the Ombudsman program within the California Department of Aging (CDA). The Ombudsman would likely add these notifications to the existing workload and work with the local agencies that oversee the RCFE in question. The CDA indicates this workload would be absorbed within existing resources.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the March 31, 2011 version are minor and do not alter our position. This version removed some of the financial distress events that would require a facility to notify the DSS. However, the DSS would now be required to perform complaint visits initiated by the Ombudsman, as well as initiate administrative actions against licensees of RCFEs in specific instances of financial distress, and assess and collect civil penalties.

COMMENTS

The Department of Finance is opposed to this bill because it would result in General Fund costs. Notwithstanding any potential policy merit, the creation of a new program with General Fund costs is inappropriate during this time of limited resources.

Analyst/Principal (0512) T. Calvert	Date	Assistant Program Budget Manager Nicholas Buchen	Date
--	------	---	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

M. Leno

May 17, 2011

SB 897

The DSS encourages providers to submit information to the department if a facility's financial condition is in question. However, current law does not require licensees of RCFEs to report to the DSS, or to notify residents or their families of financial distress. Many RCFEs have been impacted by foreclosures and bankruptcies during the housing crisis. There have been cases where RCFEs have become involved in foreclosure proceedings and the licensees did not alert the residents, or the DSS, until the end of the proceedings, resulting in the residents being forced to relocate on short notice. Although this bill is not intended to protect RCFEs from financial distress, it is intended to minimize the impact that these events have on residents and potential residents.

This bill is substantially similar to Senate Bill 1329 of 2010 (Leno), which was vetoed by Governor Schwarzenegger. That bill was vetoed due to costs and additional workload requirements.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)									Fund Code
	SO	(Dollars in Thousands)								
	LA	CO	PROP	2011-2012		2012-2013		2013-2014		
RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014			
4170/Dept Aging	SO	No		----- No/Minor Fiscal Impact -----						0001
5180/Social Svcs	SO	No	C	\$25	C	\$41	C	\$41	0001	
5180/Social Svcs	SO	No	C	\$16	C	\$27	C	\$27	0890	
1643/PenAssessm	RV	No		----- No/Minor Fiscal Impact -----						0270
<u>Fund Code</u>	<u>Title</u>									
0001	General Fund									
0270	Technical Assistance Fund									
0890	Trust Fund, Federal									