

Budget Reduction Options

Division of Mental Health, Developmental
Disabilities, and Substance Abuse Services

Division of Child Development

May 20, 2009



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

- Consolidate LME System's Management
 - Reduce the number of LME's
 - Reduce administrative funds by \$20M
 - Funding drives the consolidation
- Make Direct Payments to Providers
 - Reduce \$7.1 million in administrative funds to LME's
- Eliminate Most of the Fund Balances at LME's
 - Fund Balances total 32% of 2009 total budgets for 15 LME's
 - Funds are reserved for many uses
 - Total of \$229M in total fund balances and total budgets = \$658.8M
 - Reduce service funds to LME's by total amount of fund balances and require LME's to spend their fund balances on services (make exceptions for those reserves already approved by DMH,DD,SAS)
 - Require the same reporting and accounting for the six single county LME's



Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

- Reduce Funding for State-funded Services through LME's
 - \$50M reduction (target non-core services and services provided to Medicaid and CAP clients)
 - LME's usually do not spend all of its funding; however, spending rates have increased
 - Approximately \$450M in services in the budget



Division of Child Development

- Rate Reduction for payment of child care subsidies
 - Amount paid to child care providers
 - Rates are established based on market analysis
 - 1% rate cut = \$795,516 (includes all rates)
- Child Care Subsidies
 - Reduce funds to current year's spending level
 - Reduction of \$14.6M recurring
- Smart Start
 - \$209 M in continuation budget
 - \$193.6 M (authorized, to manage budget shortfall)
 - Reduce funding level to current year's spending amount (recurring)

