

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 290 (The Speaker and the Minority Leader, *et al.*)
(By Request – Administration)
Health and Government Operations

**Department of Health and Mental Hygiene - Federally Qualified Health Centers
Grant Program**

This Administration bill establishes a Federally Qualified Health Center (FQHC) Grant Program.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: The Governor's proposed FY 2005 capital budget includes \$2.4 million in general obligation bonds to provide funding for five FQHC projects that will provide or expand medical space for an additional 14,500 patients. Future year expenditures are \$3 million annually as projected in the estimate included in the proposed capital budget.

Local Effect: Revenues could increase if local jurisdictions receive grants.

Small Business Effect: The Administration has determined that this bill will have minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: On the recommendation of the Secretary of Health and Mental Hygiene, the Board of Public Works (BPW) may make grants to counties, municipal corporations, and nonprofit organizations for: (1) the conversion of public buildings to FQHCs; (2) the

acquisition of existing buildings for use as FQHCs; (3) the renovation of FQHCs; (4) the purchase of capital equipment for FQHCs; or (5) the planning, design, and construction of FQHCs.

Any county, municipal corporation, or nonprofit organization sponsoring a project involving FQHCs may apply to the Secretary of Health and Mental Hygiene for a State grant to be applied toward the cost of the project. Any federal or other grant that is received for an eligible project must be applied first to the project's cost. A State grant may not exceed the lesser of \$500,000 or 50% of the cost of eligible work remaining unpaid after all federal grants have been applied. For a project designated as eligible for poverty area funding under federal, State, or departmental regulations, a State grant may cover up to the lesser of \$500,000 or 75% of the cost of eligible work remaining unpaid after all other grants have been applied. Community development block grant funds are considered local matching funds and may not be considered federal grant funds.

The bill specifies prohibited uses of State FQHC grants and provides for State recovery of grants when FQHC property is sold or ceases to be an FQHC. The bill provides the State with remedies if a grantee defaults on the grant agreement, including liens against the property.

Current Law: There are similar State funding mechanisms for adult day care, assisted living, and community health facilities.

Background: FQHCs are private, not-for-profit health care centers that provide comprehensive primary and preventive care to medically underserved and uninsured people. They are not permitted to refuse care based on ability to pay.

FQHCs are eligible for federal grants, such as a Section 330 grant. Section 330 of the Public Health Service Act defines federal grant funding opportunities for organizations to provide care to underserved populations. Types of organizations that may receive 330 grants include: community health centers, migrant health centers, health care for the homeless programs, and public housing primary care programs. FQHCs are also eligible to apply for federal REACH grants. The REACH Initiative is a program endorsed by President Bush to expand the number of community health centers nationally. The program supports the development of 1,200 new or expanded health center sites that will serve an additional 6 million new patients over the next five years.

As of March 2002, Maryland was one of 17 states that did not provide any dedicated funding for health centers. Capital project needs of community health centers are increasing due to both aging facilities as well as the growing needs of the uninsured population.

State Fiscal Effect: DHMH general fund expenditures could increase by a significant amount beginning in fiscal 2005 depending upon the number, type, purpose, and amount of the grants made by the State. At this time the number of applicants for grants cannot be reliably estimated. DHMH's fiscal 2005 budget allowance contains \$2.4 million general funds for this grant program, not contingent upon enactment of this bill.

Additional Information

Prior Introductions: None.

Cross File: SB 189 (The President, *et al.*) (By Request – Administration) – Budget and Taxation and Finance.

Information Source(s): Judiciary (Administrative Office of the Courts), Department of Health and Mental Hygiene (Planning, Medicaid), Department of Legislative Services

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mh/jr

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