# Department of Legislative Services

Maryland General Assembly
2016 Session

## FISCAL AND POLICY NOTE
**Enrolled - Revised**

Senate Bill 98 (Chair, Finance Committee)(By Request - Departmental - Aging)

Finance Appropriations

**Senior Citizen Activities Center Operating Fund - Distributions - Alteration**

This departmental bill increases, from $500,000 to $750,000, the required annual appropriation to the Senior Citizen Activities Center Operating Fund, requires additional expenditures under specified circumstances, and alters how the funds are distributed to counties within the State.

## Fiscal Summary

**State Effect:** General fund expenditures increase by approximately $263,800 in FY 2017 and by at least $250,000 annually thereafter to meet the increased funding requirements under the bill, as discussed below. This analysis assumes the additional funding is provided in FY 2017; however, **this bill increases an existing mandated appropriation beginning in FY 2018.**

| (in dollars) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|
| Revenues | $0 | $0 | $0 | $0 | $0 |
| GF Expenditure | 263,800 | 250,000 | 250,000 | 250,000 | 250,000 |
| Net Effect | ($263,800) | ($250,000) | ($250,000) | ($250,000) | ($250,000) |

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Many counties receive additional funding due to the enhanced appropriation and revised distribution provisions; a few counties receive less funding than under current distribution provisions, even with less total funding available currently, as discussed below.

**Small Business Effect:** The Maryland Department of Aging (MDoA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Analysis

**Bill Summary:** Under the bill, "distressed county" means a county:

- with an average unemployment rate for the most recent 24-month period (for which there is data) that exceeds either 150% of the average unemployment rate for the State or the average unemployment rate for the State during that period by at least two percentage points;
- with an average per capita personal income for the most recent 24-month period (for which there is data) that is equal to or less than 67% of the average per capita personal income for the State during that period; or
- that no longer meets either criterion but has met at least one of the criteria at some time during the preceding 24-month period.

The bill alters the distribution methodology for funds by dividing all funding into three categories:

- $100,000 must be distributed to counties for senior citizen activities centers based on the existing competitive grant process administered by MDoA;
- $400,000 must be distributed based on each county's proportional share of the statewide population of senior citizens, with each county *guaranteed at least* $5,000; and
- at least $250,000 must be distributed to "distressed counties." Of the $250,000, $150,000 must be divided evenly among the distressed counties, and $100,000 must be divided proportionately among the distressed counties based on each county's share of the total population of senior citizens in distressed counties.

**Current Law:** The Senior Citizen Activities Center Operating Fund is a nonlapsing fund that consists of appropriations from the State budget; the Governor is required to appropriate $500,000 annually to the fund and does so with general funds. The Senior Citizen Activities Center Operating Fund supplements any other funding for senior citizen activities centers in the State budget; it may not be used to replace existing funding. Money is distributed to counties based on a competitive grant process, with at least 50% of the funds distributed based on need for senior citizen activities centers in counties determined by MDoA to meet criteria related to economic distress.

Currently, to qualify for a need-based distribution, a county must have a strategic plan for economic development that has been approved by the Secretary of Commerce and meets one of the following two distress-related criteria:

- have an average unemployment rate of more than 150% of the average State unemployment rate for the most recent 18-month period for which there is data; or
- have an average per capita personal income that is 67% or less of the average State per capita personal income for the most recent 24-month period for which there is data.

**Background:** Generally, the fund supports activities to keep individuals healthy through services provided at senior centers, such as fitness and nutrition education programs, dental health programs, and disease management programs. MDoA has also used the fund to help ensure senior centers remain open three to five days per week to support the local senior population. The fund does not support capital improvements, which are funded through the Senior Citizen Activities Centers Capital Improvement Grants Program.

The fund was established by Chapter 635 of 2000. At that time, the criteria for need-based distributions used by the fund relied on a definition of "qualified distressed county" that was consistent with the definition of "qualified distressed county" used for other programs in the State, many of which were under the purview of the former Department of Business and Economic Development. However, the definition applicable to other programs (under § 1-101 of the Economic Development Article) has subsequently been revised multiple times, while the criteria used by the fund remained unchanged. (Even so, code revision deleted as unnecessary the definition for "qualified distressed county" applicable to the fund.) The changes included in the bill conform the criteria used by the fund to the definition of a "qualified distressed county" currently included in the Economic Development Article.

Under the current criteria, three counties (Allegany, Somerset, and Worcester) qualify for need-based distributions for fiscal 2016 based on MDoA's calculations. Thus, those three counties share one-half (or $250,000) of the total amount of funding available. The rest of the funding is distributed to other counties that request funding, based on a competitive process. Some counties do not request funding; for fiscal 2016, Anne Arundel, Carroll, Kent, St. Mary's, and Talbot counties did not apply and, thus, did not receive awards.

The fiscal 2017 State budget includes $500,000 in general funds for the fund; it also includes a deficiency general fund appropriation of $291,500 for fiscal 2016 to hold harmless jurisdictions that applied for and received less funding in fiscal 2016 than in fiscal 2015.

State population data applicable to the distribution of funds under the bill, as provided by MDoA, is shown in **Exhibit 1**

**Exhibit 1**
**Population of Marylanders Age 60 and Older, by County**

| County | Population 60+ | Share of Total |
|---|---|---|
| Allegany | 18,260 | 1.76% |
| Anne Arundel | 95,945 | 9.26% |
| Baltimore City | 104,325 | 10.07% |
| Baltimore | 165,860 | 16.01% |
| Calvert | 14,600 | 1.41% |
| Caroline | 6,215 | 0.60% |
| Carroll | 32,640 | 3.15% |
| Cecil | 17,860 | 1.72% |
| Charles | 21,430 | 2.07% |
| Dorchester | 7,970 | 0.77% |
| Frederick | 39,000 | 3.76% |
| Garrett | 7,080 | 0.68% |
| Harford | 44,850 | 4.33% |
| Howard | 44,690 | 4.31% |
| Kent | 5,905 | 0.57% |
| Montgomery | 175,965 | 16.99% |
| Prince George’s | 126,365 | 12.20% |
| Queen Anne’s | 10,250 | 0.99% |
| St. Mary’s | 15,735 | 1.52% |
| Somerset | 5,200 | 0.50% |
| Talbot | 12,210 | 1.18% |
| Washington | 29,430 | 2.84% |
| Wicomico | 18,210 | 1.76% |
| Worcester | 15,900 | 1.53% |
| **Total** | **1,035,895** | **100.00%** |

Source: Maryland Department of Aging, Administration for Community Living

**State Fiscal Effect:** The bill requires that the Governor include an additional $250,000 in the annual State budget for the fund, thereby bringing the required total general fund appropriation to $750,000 annually. However, in addition to that amount, the bill requires that the Governor provide sufficient funds to ensure that the distribution to each county – based on its proportional share of the statewide population of senior citizens – be at least $5,000.

Based on data provided by MDoA, general fund appropriations in fiscal 2017 increase by an additional $13,828 (beyond the mandated $250,000) to be distributed to Caroline, Dorchester, Garrett, Kent, Queen Anne's, Somerset, and Talbot counties in amounts ranging from $285 to $2,992 to ensure each county receives at least $5,000 for its proportional share of the statewide population of senior citizens.

MDoA advises that it utilized population data provided by the Administration for Community Living (ACL) for all population-based calculations. ACL uses information provided by the U.S. Census Bureau to create its detailed, publicly available, population data and updates its data annually. Thus, projections for the increased appropriation guaranteeing $5,000 to each jurisdiction based on its proportional share of the statewide population of senior citizens in the out-years are not available at this time. This analysis assumes the additional funding is provided in fiscal 2017. Although the bill modifies the distribution methodology, staffing requirements for the program are not materially affected.

**Local Fiscal Effect:** As shown in **Exhibit 2**, counties that provide support for senior citizen activities centers may experience significant changes in total funds received from the Senior Citizen Activities Center Operating Fund as a result of the increased appropriation and revised distribution methodology. Five counties receive lower awards under than bill than they received in fiscal 2016, unless they receive a portion of the $100,000 competitive grant funding. Specifically, funding for the three counties – Allegany, Somerset, and Worcester – eligible to receive a need-based distribution under current law (50% of the total amount of funding available – or $250,000 shared amongst them), decreases by $40,620, $78,322, and $42,878, respectively. Also, funding for Calvert and Garrett counties decreases by $362 and $15,000 respectively due to the new distribution methodology. However, MDoA advises that the five counties that did not apply for any funding in fiscal 2016 (Anne Arundel, Carroll, Kent, St. Mary's, and Talbot counties) receive funding under the bill in amounts ranging from $5,000 to $37,048.

Six counties (Baltimore City and Allegany, Caroline, Dorchester, Wicomico, and Worcester counties) meet the bill's definition of "distressed county" and are the only counties eligible to split $250,000 of the mandated appropriation set aside for distressed counties. Thus, they share evenly $150,000 ($25,000 each) as well as proportionately $100,000 – based on their share of the senior population in the distressed counties.

Most of the mandated appropriation – $400,000 – is shared proportionately amongst *all* counties based on their share of the statewide population of senior citizens. However, each county must receive at least $5,000 even if its population would not otherwise result in such an award. The remaining $100,000 is to be distributed through a competitive grant process by MDoA. Because the counties that will receive these awards is not yet known, the amounts awarded to each county shown in Exhibit 2 may increase. Even so, because five counties are projected to receive, in total, $177,182 less under the bill than they received in fiscal 2016, the monies available through the competitive grant process cannot fully offset the reduced funding for those counties.

**Exhibit 2**
**Comparison of Current Funding to Funding under the Bill, by County**

| County | FY 2016 Award | Distribution under the Bill | Difference |
|---|---|---|---|
| Allegany | $83,357 | $42,737 | ($40,620) |
| Anne Arundel | 0 | 37,048 | 37,048 |
| Baltimore City | 45,000 | 126,336 | 81,336 |
| Baltimore | 36,000 | 64,045 | 28,045 |
| Calvert | 6,000 | 5,638 | (362) |
| Caroline | 2,000 | 33,637 | 31,637 |
| Carroll | 0 | 12,604 | 12,604 |
| Cecil | 6,000 | 6,896 | 896 |
| Charles | 7,000 | 8,275 | 1,275 |
| Dorchester | 6,000 | 34,664 | 28,664 |
| Frederick | 11,000 | 15,059 | 4,059 |
| Garrett | 20,000 | 5,000 | (15,000) |
| Harford | 3,000 | 17,318 | 14,318 |
| Howard | 11,000 | 17,257 | 6,257 |
| Kent | 0 | 5,000 | 5,000 |
| Montgomery | 50,000 | 67,947 | 17,947 |
| Prince George’s | 34,000 | 48,795 | 14,795 |
| Queen Anne’s | 3,000 | 5,000 | 2,000 |
| St. Mary’s | 0 | 6,076 | 6,076 |
| Somerset | 83,322 | 5,000 | (78,322) |
| Talbot | 0 | 5,000 | 5,000 |
| Washington | 5,000 | 11,364 | 6,364 |
| Wicomico | 5,000 | 42,688 | 37,688 |
| Worcester | 83,322 | 40,444 | (42,878) |
| **Total** | **$500,000** | **$663,828** | **$163,827** |

Notes: Although this exhibit reflects competitive grants awarded under current law, it does not include the $100,000 to be distributed by MDoA through a competitive grant process under the bill. It does, however, include the increased appropriations to ensure each county receives at least $5,000 for its proportional share of the statewide population of senior citizens. The five jurisdictions with an award of $0 in fiscal 2016 did not apply for funding; in all cases, they receive funding under the bill. Allegany, Somerset, and Worcester counties currently share the required distribution of 50% funding based on the current definition of need. Funding under the bill is distributed based on the three categories outlined above. Numbers may not sum to total due to rounding.

Source: Maryland Department of Aging

## Additional Information

**Prior Introductions:** None.

**Cross File:** None designated; however, HB 262 (Delegate M. Washington, *et al*. – Appropriations) is identical. Likewise, its cross file, SB 805 (Senator Pugh, *et al*. – Finance) is identical.

**Information Source(s):** Maryland Department of Aging, Maryland Association of Counties, Department of Budget and Management, U.S. Department of Health and Human Services, Administration for Community Living, Department of Legislative Services

| | |
|---|---|
| **Fiscal Note History:** | First Reader - January 14, 2016 |
| mel/ljm | Revised - Clarification - February 12, 2016 |
| | Revised - Enrolled Bill/Updated Information/Updated Budget Information - April 4, 2016 |

---

Analysis by: Nathan W. McCurdy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

# ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Senior Citizen Activities Center Operating Fund

BILL NUMBER: SB 98

PREPARED BY: Maryland Department of Aging – Andrew Ross,
andrew.ross@maryland.gov, 410-767-2116

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_X_ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

___ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Bill is a technical change to update the definition of an economically distressed jurisdiction. Total funding is unchanged and funds will continue to support senior centers which are owned and managed by local governments or non-profit agencies.