

Department of Legislative Services  
 Maryland General Assembly  
 2017 Session

FISCAL AND POLICY NOTE  
 Third Reader

Senate Bill 1198

(Prince George's County Senators)

Budget and Taxation

Appropriations

Prince George's County Regional Medical Center Act of 2017

This bill alters the amount of operating grants the State is currently required to provide in fiscal 2018 through 2021, to ensure and assist in the transition of a new Prince George's County Regional Medical Center (PGCRMC) to the University of Maryland Medical System (UMMS). The Governor must include an annual appropriation of \$10.0 million for additional operating grants in fiscal 2022 through 2028. The bill restructures mandated capital appropriations that the Governor must include in the capital or operating budget bill for the construction of PGCRMC in fiscal 2018 through 2020. The bill also expresses legislative findings related to funding for PGCRMC.

The bill takes effect June 1, 2017.

Fiscal Summary

**State Effect:** General fund expenditures increase by a total of \$100.0 million to provide operating grants to PGCRMC: \$40.0 million in FY 2018 through 2022 (shown below) and an additional \$60.0 million in FY 2023 through 2028. The bill restructures existing capital funding requirements, assumed to be provided with general obligation (GO) bonds, but it does not increase total capital funding required. No effect on revenues. **This bill modifies existing mandated appropriations beginning in FY 2018 (with increases beginning in FY 2019) and establishes new mandated appropriations for FY 2022 through 2028.**

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(2,000,000)	12,000,000	10,000,000	10,000,000	10,000,000
Bond Exp.	(56,200,000)	0	56,200,000	0	0
Net Effect	\$58,200,000	(\$12,000,000)	(\$66,200,000)	(\$10,000,000)	(\$10,000,000)

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

**Local Effect:** The bill does not alter the amounts or timing of current funding requirements for Prince George’s County related to PGCRMC.

**Small Business Effect:** Potential meaningful, as discussed below.

### Analysis

**Bill Summary:** Exhibit 1 displays the mandated operating and capital funding amounts required to be provided under the bill compared with current law.

**Exhibit 1**  
**Operating and Capital Funding for Prince George’s County Regional Medical Center**  
**Current Law vs. SB 1198 of 2017**  
**Fiscal 2018-2028**  
**(\$ in Millions)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2028<sup>1</sup></u>	<u>Total</u>
<b>Operating Funding</b>							
Current Law	\$30.0	\$15.0	\$5.0	\$5.0	\$0.0	\$0.0	\$55.0
Under SB 1198 of 2017	\$28.0	\$27.0	\$15.0	\$15.0	\$10.0	\$60.0	\$155.0
<b>Capital Funding</b>							
Current Law	\$67.5	\$48.0	\$0.0	\$0.0	\$0.0	\$0.0	\$115.5
Under SB 1198 of 2017	\$11.3	\$48.0	\$56.2	\$0.0	\$0.0	\$0.0	\$115.5

<sup>1</sup>Reflects a \$10.0 million mandated annual appropriation in fiscal 2023 through 2028, for a total of \$60.0 million.

Note: Chapter 13 of 2016 committed the State to \$15.0 million to be provided in fiscal 2018, or \$30.0 million if a grant of \$15.0 million was not provided through a fiscal 2016 deficiency appropriation. No deficiency appropriation was provided in fiscal 2016.

Source: Department of Legislative Services

The bill repeals language that makes Chapter 13 of 2016, the Prince George’s County Regional Medical Center Act of 2016, contingent on the UMMS Corporation becoming the sole corporate member of Dimensions Health Care Corporation and assuming responsibility of the governance structure of the entity. The termination date of Chapter 13 is also extended by seven years from June 30, 2021, to June 30, 2028.

The bill expresses legislative findings, including that (1) the ability to protect the State’s investment in PGCRMC is jeopardized by provisions in the Budget Reconciliation and Financing Act (BRFA) of 2017, as introduced, that alter State funding requirements under

Chapter 13 and (2) the changed circumstances and the need to protect the State's investment require additional support in future years to ensure the financial viability of PGCRMC and ultimately the ability of the State to end State support for PGCRMC.

**Current Law/Background:** Operating funding is provided to UMMS to assist in the transition of a new PGCRMC to UMMS. In accordance with a 2008 memorandum of understanding (MOU) between the State, Prince George's County, and Dimensions Health Care, a financial commitment of \$150.0 million in operating funds was to be provided over five years, split equally between each party, and \$24.0 million in State capital funding over three years. The MOU was updated in calendar 2011 to include UMMS and the University System of Maryland. Operating funding of \$15.0 million was provided by the State in fiscal 2011 through 2015. In fiscal 2016, no operating funds were provided. The fiscal 2017 budget includes \$15.0 million through a supplemental budget.

Chapter 13 of 2016 restricted the use of operating grants to PGCRMC for (1) providing increased access to critical health care services for the region served by PGCRMC and improving the quality of services provided and (2) facilitating cost containment measures to prevent additional operating losses for PGCRMC and its affiliated institutions. As shown in Exhibit 1, Chapter 13 provided for up to \$55.0 million of operating grant support to UMMS for PGCRMC between fiscal 2018 and 2021.

The Governor's proposed fiscal 2018 budget includes \$30.0 million, with a \$15.0 million general fund reduction contingent on legislation reducing the operating grant for PGCRMC. While a \$15.0 million grant is appropriated in the fiscal 2017 budget, the Governor's proposed fiscal 2018 budget includes a negative deficiency reducing the appropriation to \$7.5 million in fiscal 2017.

*As introduced*, the BRFA of 2017 (House Bill 152/Senate Bill 172) restructures mandated operating grants for PGCRMC. In fiscal 2018, the operating grant is reduced from \$30.0 million to \$15.0 million. In fiscal 2020 and 2021, the operating grant is increased from \$5.0 million to \$15.0 million. In fiscal 2022, the Governor must provide \$2.5 million. *As passed by the House*, the BRFA of 2017 strikes these provisions (thereby retaining \$30.0 million in the fiscal 2018 operating budget). This bill reflects the proposed funding for PGCRMC under the BRFA of 2017 *as passed by the Senate* (which reduces the operating grant by \$2.0 million, contingent on enactment of legislation to do so).

**State Expenditures:** General fund expenditures increase by a total of \$100.0 million to provide operating grants to PGCRMC. From fiscal 2018 through 2022 (the period encompassed within this fiscal and policy note), general fund expenditures increase by \$40.0 million; from fiscal 2023 through 2028, general fund expenditures increase by an additional \$60.0 million. More specifically, general fund expenditures decrease by

\$2.0 million in fiscal 2018; this amount is deferred to fiscal 2019. Otherwise, an additional \$10.0 million is required each year from fiscal 2019 through 2028.

The bill restructures the amount the Governor must include in the capital or operating budget bill, in fiscal 2018 through 2020, for the capital construction of PGCRMC. Under current law, a total of \$115.5 million is required, \$67.5 million in fiscal 2018 and \$48.0 million in fiscal 2019. The bill reduces the mandated amount required in fiscal 2018 to \$11.3 million and requires the remaining \$56.2 million to be provided in fiscal 2020. This two-year deferral is consistent with the Administration's 2017 *Capital Improvement Program* for fiscal 2018 through 2022. Although the General Assembly may only mandate appropriations in the operating budget, this analysis assumes that the Governor satisfies these mandates with GO bonds. Overall capital spending, which is established annually through the capital budget process and subject to limits recommended by the Spending Affordability Committee, is not affected.

**Small Business Effect:** In response to similar legislation in 2016, Prince George's County advised that PGCRMC is anticipated to have a significant positive impact on the county's small business climate through the construction and operation of the medical center and investment in new allied, senior, and specialty care providers near the proposed medical center.

**Additional Comments:** UMMS advises that current operating grants have allowed the Prince George's County health care system to continue operating and begin to transition to the new PGCRMC; however, it continues to operate at an annual loss and has inadequate cash on hand. Current support has been insufficient to fully transform the system through quality improvement, facility upgrades, and personnel recruitment. Transitioning to full affiliation under UMMS provides the system with access to capital funding and additional support services. Additional funding under the bill is intended to ensure the system can fully transition to a self-sustaining health care system that delivers high-quality care.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** University of Maryland Medical System; Department of Legislative Services

**Fiscal Note History:** First Reader - March 23, 2017  
fn/jc Third Reader - March 28, 2017

---

Analysis by: Jennifer B. Chasse

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