

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1123
 Appropriations

(Delegate Reznik)

Local Health Departments – Funding

This bill establishes a new base level of State funding for the Core Public Health Services (CPHS) formula of \$70.0 million in fiscal 2023, and \$80.0 million in fiscal 2024, to be distributed to each municipality or subdivision in the same proportion as the fiscal 2022 funding distribution. Beginning in fiscal 2025, funding must be the greater of the (1) funding provided by the formula for the immediately preceding fiscal year or (2) actual funds appropriated for the immediately preceding fiscal year, adjusted as specified. The bill also expands the permitted uses of CPHS funds. The Maryland Department of Health (MDH) must conduct a specified evaluation and assessment and report its findings to specified committees of the General Assembly by December 15, 2021. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: No effect in FY 2021 or 2022. General fund expenditures increase by \$6.9 million in FY 2023, escalating to \$15.9 million by FY 2026, as discussed below. MDH can complete the required evaluation and report with existing budgeted resources. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2023.**

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	6,900,600	15,070,700	15,507,800	15,942,000
Net Effect	\$0	(\$6,900,600)	(\$15,070,700)	(\$15,507,800)	(\$15,942,000)

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

Local Effect: Revenues and expenditures for local health departments (LHDs) increase, consistent with the increase in State general fund expenditures. Although local jurisdictions are required to match this funding, most already provide more than required.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Core Public Health Formula for Fiscal 2025 and Each Subsequent Year

Beginning in fiscal 2025, no subdivision may receive less CPHS funding than was received in fiscal 2024; funding must be the greater of the:

- funding provided by the formula for the immediately preceding fiscal year; or
- actual funds appropriated for the immediately preceding fiscal year, adjusted for (1) inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), on June 30 of the second preceding fiscal year, calculated by the U.S. Department of Labor, or (2) population growth, as measured by the growth in the total population in the State for the second preceding fiscal year, according to the most recent statistics available through the U.S. Department of Commerce.

Expanded Uses of Core Public Health Services Funds

The bill expands the programs and related administrative expenses for which CPHS funds may be used to include (1) data management and exchange services regarding communicable diseases and other health matters; (2) providing protective equipment for nurses, physician assistants, physicians, and other health care personnel in contact with patients; and (3) providing equipment, medication, and other materials determined to be appropriate to prepare for potential communicable disease emergencies or other public health emergencies.

Required Evaluation/Assessment and Report

By December 1, 2021, MDH must conduct an evaluation and assessment of the technology, communications, and information services used by LHDs, made available by MDH, and shared or coordinated through LHDs. MDH must consult with the Department of Information Technology, the Maryland Association of Counties, LHDs, and stakeholders who provide or receive services through a LHD to complete the evaluation and assessment.

By December 15, 2021, MDH must report its findings and recommendations regarding (1) the current capacity of LHDs to effectively maintain, share, and analyze data regarding communicable diseases, medical and health trends, and other information and

(2) recommendations to enhance LHD services through major projects or technology initiatives, improvements to internal processes for procurement of technology, noncentralized hardware or software upgrades, and best practices used by other public health units of government.

Current Law: The State operating budget provides mandated funding to LHDs based on the CPHS funding formula. The formula requires that the State budget include funding that, beginning fiscal 2019 and each subsequent fiscal year, equals the amount of funding for the preceding fiscal year adjusted for (1) inflation, as measured by the CPI-U, on June 30 of the second preceding fiscal year, calculated by the Bureau of Labor Statistics of the U.S. Department of Labor, and (2) population growth, as measured by the growth in the total population in the State on June 30 of the second preceding fiscal year, according to the most recent statistics available through the U.S. Department of Commerce.

State Expenditures: General fund expenditures increase by \$6.9 million in fiscal 2023, increasing to \$15.9 million in fiscal 2026, to provide increased funding for the CPHS formula as shown in **Exhibit 1**. The information and assumptions used to develop this estimate are stated below.

- The projected CPI-U used in the calculation of the formula (under current law and under the bill in fiscal 2025 and annually thereafter) are as follows: for fiscal 2023, 1.6%; for fiscal 2024 and 2025, 2.4%; and for fiscal 2026, 2.3% (based on projections from Moody’s Analytics and IHS Markit).
- Population growth is estimated to be 0.5% annually.
- Funding for fiscal 2022 is specified at \$61,801,553 in the Governor’s proposed fiscal 2022 budget.

Exhibit 1
Increase in General Fund Expenditures for Core Public Health Services Formula
Fiscal 2023-2026

<u>Formula Funding</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Under Current Law	\$63,099,386	\$64,929,268	\$66,812,217	\$68,682,959
% Change	2.1%	2.9%	2.9%	2.8%
Under the Bill	\$70,000,000	\$80,000,000	\$82,320,000	\$84,624,960
% Change	13.3%	14.3%	2.9%	2.8%
Increase in Expenditures	\$6,900,614	\$15,070,732	\$15,507,783	\$15,942,001

Source: Department of Legislative Services

Local Fiscal Effect: Local revenues and expenditures increase by a corresponding amount. In addition, matching funds are required from each local jurisdiction according to the each jurisdiction's revenue-raising ability. The Department of Legislative Services notes that most LHDs currently overmatch for these funds; thus, there is likely no immediate increase in local expenditures for the required match.

Additional Information

Prior Introductions: HB 1082 of 2019, a similar bill, received a hearing in the House Appropriations Committee, but no further action was taken. Its cross file, SB 645, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: SB 563 (Senator Griffith) - Budget and Taxation.

Information Source(s): Maryland Association of County Health Officers; Maryland Association of Counties; Maryland Municipal League; Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

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