

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 973

(Senator Guzzone)

Budget and Taxation

Appropriations

Hospitals - Private Hospital Grant Program - Funding

This bill codifies the Private Hospital Grant Program, to make recommendations to the Governor for funding in the annual State budget for capital projects at private hospitals. The Maryland Hospital Association (MHA) must establish a review committee and submit recommendations to the Governor and the Secretary of Budget and Management. The Department of Budget and Management (DBM) and the Department of Legislative Services (DLS) must consult with the committee in establishing the project funding request process and making recommendations for funding requests. Beginning in fiscal 2026, the Governor may include in the capital or operating budget bill an appropriation of \$20.0 million for the program. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: No effect in FY 2025. DBM and DLS can consult with the committee using existing budgeted resources. Assuming implementation with general obligation (GO) bonds in the capital budget rather than pay-as-you-go (PAYGO) general fund expenditures in the operating budget, GO bond expenditures may increase by \$12.0 million annually beginning in FY 2026 to reflect additional discretionary funding for *this* program, but total spending in the capital budget is unaffected. Instead, less funding is available for *other* projects.

Local Effect: The bill is not anticipated to affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: MHA must establish a review committee to (1) develop the process for hospitals in the State to submit requests for funding in the annual budget; (2) establish eligibility criteria for a hospital to submit a request for funding; (3) establish criteria for projects eligible to receive funding; (4) establish deadlines for the submission of requests for funding and the determination of projects recommended for funding; (5) develop project scoring and selection criteria guidelines; (6) review eligible requests for funding; and (7) make final recommendations for projects to be funded in the annual State budget. To the extent practicable, the membership of the committee must reflect the geographic diversity of hospitals in the State.

Current Law: Since 1993, MHA has administered the Private Hospital Grant Program (also known as the [Hospital Bond Program](#)) to enable private hospitals to apply for State allocated capital funding. The program's review committee consists of hospital stakeholders, an independent consultant, and representatives of DBM, DLS, and MHA.

State funding for the program, which is considered an ongoing miscellaneous capital grant, varies according to the number of applications received, recommendations made by the review committee, and the State's available GO bond capacity. The review committee evaluates individual private hospital capital project requests and typically submits a final combined request to DBM that closely aligns with planned funding for the program.

State Expenditures: Under the bill, the Governor may include in the capital or operating budget bill an appropriation of \$20.0 million for the program for fiscal 2026 and each fiscal year thereafter. The Governor's fiscal 2025-2029 *Capital Involvement Program* (CIP) includes \$8.0 million in annual GO bond funding for the program for fiscal 2026 through 2029. Assuming those amounts would be included in the capital budget in the absence of the bill, an additional \$12.0 million of funding for the program is needed annually to reach the \$20.0 million amount specified in the bill.

Although the bill does not establish a mandated appropriation, this analysis assumes that discretionary funding of \$12.0 million is provided annually beginning in fiscal 2026 and that GO bonds rather than PAYGO general funds are used. Thus, GO bond expenditures for the program increase by \$12.0 million annually beginning in fiscal 2026. Even so, there is no effect on total State capital spending, which is established annually by the Governor and the General Assembly through the capital budget process. Instead, \$12.0 million in GO bond funds is not available for other capital projects.

In consultation with DBM, the committee may establish conditions under which a request for funding may be rejected for consideration. Otherwise, the bill may not be construed to

prohibit an organization from receiving funds from a government source other than the program.

DBM advises that the program has received the full amount requested since fiscal 2021. In fiscal 2024, private hospitals requested \$9.5 million through the program and received approximately \$1.1 million more than requested due to available PAYGO general fund capacity. The five-year average authorization for the program is \$8.0 million, and DBM's fiscal 2025 capital budget recommendation of \$6.9 million would fully fund MHA's request. The [CIP](#) (page 170) details approved projects for fiscal 2025.

Small Business Effect: Additional funding for capital projects at private hospitals in the State may have a positive impact on the small business construction industry.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Maryland Department of Health; Legislative Services; Department of Legislative Services

Fiscal Note History: First Reader - February 29, 2024
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