

**MA01**  
**Maryland Department of Health – Capital**

***Capital Budget Summary***

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**State-owned Capital Improvement Program**  
(\$ in Millions)

<b>Projects</b>	<b>Prior Auth.</b>	<b>2021 Request</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>2025 Est.</b>	<b>Beyond CIP</b>
Renovation of the North Wing of the Clifton T. Perkins Hospital Center	\$2.672	\$0.000	\$18.872	\$20.156	\$0.000	\$0.000	\$0.000
<b>Total</b>	<b>\$2.672</b>	<b>\$0.000</b>	<b>\$18.872</b>	<b>\$20.156</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>

<b>Fund Source</b>	<b>Prior Auth.</b>	<b>2021 Request</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>2025 Est.</b>	<b>Beyond CIP</b>
GO Bonds	\$2.672	\$0.000	\$18.872	\$20.156	\$0.000	\$0.000	\$0.000
<b>Total</b>	<b>\$2.672</b>	<b>\$0.000</b>	<b>\$18.872</b>	<b>\$20.156</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>

CIP: *Capital Improvement Program*  
GO: general obligation

**Grant and Loan Capital Improvement Program**  
(\$ in Millions)

<b>Program</b>	<b>2019 Approp.</b>	<b>2020 Approp.</b>	<b>2021 Request</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>2025 Est.</b>
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Community Health Facilities Grant Program	\$5.529	\$6.500	\$6.500	\$6.500	\$6.500	\$6.500	\$6.500
Federally Qualified Health Centers Grant Program	2.500	2.500	2.500	2.500	2.500	2.500	2.500
<b>Total</b>	<b>\$8.029</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>

<b>Fund Source</b>	<b>2019 Approp.</b>	<b>2020 Approp.</b>	<b>2021 Request</b>	<b>2022 Est.</b>	<b>2023 Est.</b>	<b>2024 Est.</b>	<b>2025 Est.</b>
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GO Bonds	\$8.029	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000
<b>Total</b>	<b>\$8.029</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>	<b>\$9.000</b>

GO: general obligation

### ***Key Observations***

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- Construction funding to start the renovations of the North Wing of the Clifton T. Perkins Hospital Center (Perkins) is deferred to fiscal 2022 due to delays in starting the project design phase.
- The facilities master plan is expected for April 2020. However, the Western Maryland Hospital Center feasibility study has been submitted and reports over \$12 million of repairs to meaningfully extend the useful life.

## ***Summary of Recommended Bond Actions***

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1. Community Health Facilities Grant Program  
Approve \$6,500,000 in general obligation bonds.
2. Federally Qualified Health Centers Grant Program  
Approve \$2,500,000 in general obligation bonds.

## ***Summary of Issues***

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The Maryland Department of Health’s (MDH) facilities master plan is expected in April 2020, while the future of the Western Maryland Hospital Center remains uncertain.

## ***Program Description***

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***Community Health Facilities Grant Program (CHFGP):*** Provides capital grants for the acquisition, design, construction, renovation, and equipping capital expenses of facilities that provide mental health, developmental disabilities, and substance use treatment services. This program plays a key role in the deinstitutionalization of individuals with behavioral health diagnoses and builds residential capacity within the community.

***Federally Qualified Health Centers (FQHC) Grant Program:*** Provides grants to private nonprofit organizations that have been designated by the federal government as FQHCs. FQHCs provide services to all persons regardless of their ability to pay, including primary, preventive, and specialty health care services in medically underserved areas throughout the State. MDH’s grant program provides funding for the acquisition, design, construction, renovation, and equipping of FQHC facilities. The FQHC grant enhances access to care by developing health care facilities that are operating in medically underserved areas.

## ***Budget Overview***

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### **Changes to Funding Limits for MDH Grant Programs**

Chapter 386 of 2019 went into effect on October 1, 2019, and impacts both the CHFGP and the FQHC grant program. This legislation increases the State funding limits for both programs from 75% to 90%. MDH has advised that, due to the timing of the effective date for the legislation and their grant application cycle, none of the projects selected in fiscal 2021 exceed the former limit of 75%. MDH

has further advised that the fiscal 2022 grant cycle and beyond will reflect the new State share limit of 90%. The applications for the fiscal 2022 grants for both programs were released January 2020 and reflected the increased State share of 90%.

## **Community Health Facilities Grant Program**

The fiscal 2021 capital budget provides \$6.5 million for the CHFPG, which is consistent with what was programmed for fiscal 2021 in the 2019 *Capital Improvement Program* (CIP). The CHFPG is funded at \$6.5 million annually through fiscal 2025, which is also consistent with programmed funding levels in the 2019 CIP.

### **Proposed Fiscal 2021 Projects**

For fiscal 2021, MDH has selected nine projects for capital grant funding between four jurisdictions, outlined in **Exhibit 1**. Six of the projects were recommended by the Behavioral Health Administration (BHA), and the remaining three were recommended by the Developmental Disabilities Administration (DDA).

Although the total value of the fiscal 2021 grant is slightly over \$7.5 million, the department intends to use \$1.0 million of available unencumbered funds that reduces the amount needed for fiscal 2021 to the \$6.5 million proposed. This cash flow adjustment allows the department to make grant awards in excess of available funds and accounts for the time that it takes for grant recipients to begin to draw down grant awards.

The previous CHFPG included a \$1 million set-aside for recovery residences. The Department of Legislative Services (DLS) has been informed that MDH had three applicants apply for this particular funding, all of which were reviewed and approved by BHA. Projects were selected in Annapolis, Baltimore City, and Glen Burnie. Together, these projects will provide 38 beds for individuals in recovery, including 15 specifically for women with opioid use disorder.

**Exhibit 1  
Community Health Facilities Grant Program Projects  
Fiscal 2021**

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Total Estimated Cost</u>	<u>Prior Authorization</u>	<u>2021 Request</u>	<u>Future Requests</u>	<u>Total State Share</u>
Anne Arundel	<b><i>Chrysalis House, Inc.:</i></b> Construct a new 12,160 gross square foot (GSF) addition and renovate 4,800 GSF of the existing facilities. The construction will include a new clinical wing, an expanded child development center, reconfigured kitchen and dining space, and additional residential living spaces. Chrysalis House provides inpatient and outpatient mental health and substance use treatment to women across Maryland and is one of the few residential facilities in the State that allow women to have their children live with them while the mother is receiving recovery services.	\$3,932,537		\$1,300,000	\$1,649,403	75%
Baltimore City	<b><i>My Father's Heart, Inc.:</i></b> Renovate a three-story house to allow the third story of the house to meet the State fire code, allowing My Father's Heart to add three additional treatment beds.	44,247		33,185		75%
Baltimore City	<b><i>People Encouraging People, Inc.:</i></b> Renovate a 24,835 GSF building currently used as a rehabilitation and recovery center for People Encouraging People. The building on Primrose Avenue provides psychiatric rehabilitation, case management, assertive community treatment, outpatient mental health, and intensive outpatient substance use treatment. The renovation will include patient rooms, staff offices, a welcome center, and increased security features.	3,839,932	1,636,949	908,000	335,000	75%

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Total Estimated Cost</u>	<u>Prior Authorization</u>	<u>2021 Request</u>	<u>Future Requests</u>	<u>Total State Share</u>
Baltimore City	<b>Project PLASE, Inc.:</b> Renovate a property on Old Frederick Road to create 56 permanent housing apartments and 40 temporary studio apartments for homeless adults with serious and persistent mental illnesses and/or co-occurring substance use disorder diagnoses. The renovation will also provide space for new support offices, a communal gathering and dining area, and a commercial-grade kitchen.	5,771,055	2,242,800	469,596		47%
Baltimore City	<b>Tuerk House, Inc.:</b> Renovate the first and second floor of Tuerk House, totaling 20,000 square feet (SF). The project also includes a 5,700 SF addition. Renovations will increase bed capacity, expand dining area, and add group spaces.	5,196,116	1,837,000	1,450,000	350,281	70%
Montgomery	<b>Community Services for Autistic Adults and Children, Inc.:</b> Acquire and equip five affordable rental housing units to provide safe and affordable housing for 15 individuals with intellectual and developmental disabilities.	1,298,373		973,780		75%
Montgomery	<b>Housing Unlimited, Inc.:</b> Acquire five townhomes and garden condominiums to provide housing and support services to low-income adults with serious and persistent mental illnesses.	1,403,060		1,052,295		75%
Montgomery	<b>Main Street Connect, Inc.:</b> Construct 18 housing units for adults with intellectual and developmental disabilities. The units will be either single, double, or triple occupancy and able to provide housing for up to 32 individuals.	5,841,180	1,769,200	567,272		40%

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Total Estimated Cost</u>	<u>Prior Authorization</u>	<u>2021 Request</u>	<u>Future Requests</u>	<u>Total State Share</u>
Washington	<i>The Arc of Washington County, Inc.:</i> Renovate the main campus for the Arc of Washington County. The facility provides community development, supported employment, and vocational programs for individuals with intellectual and developmental disabilities.	4,700,000		750,000		16%
Statewide	Available Funds Adjustment	-1,004,128		-1,004,128		100%
<b>Total</b>		<b>\$31,022,372</b>	<b>\$7,485,949</b>	<b>\$6,500,000</b>	<b>\$2,334,684</b>	<b>53%</b>

Source: Fiscal 2021 Capital Improvement Program

While, in the fiscal 2021 programs, no explicit set-aside exists, five of the six projects selected by BHA focus explicitly on providing affordable housing for individuals with specialty behavioral health diagnoses. MDH reports that these projects supported this year will collectively create new, affordable housing units for 149 individuals. Two of the three DDA programs included housing components as well. In total, the projects for the CHFPG in fiscal 2021 could provide safe and affordable housing options for nearly 200 individuals, outlined in **Exhibit 2**.

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**Exhibit 2**  
**Additional Housing Options through the CHFPG**  
**Fiscal 2021**

<u>Project</u>	<u>New Housing Capacity for Individuals</u>
<b>Behavioral Health Administration</b>	
Chrysalis House, Inc.	14
My Father’s Heart, Inc.	3
Project PLASE, Inc.	96
Tuerk House	24
Housing Unlimited	12
<i>Subtotal</i>	<b>149</b>
<b>Departmental Disabilities Administration</b>	
Community Services for Autistic Adults and Children, Inc.	15
Main Street Connect, Inc.	32
<i>Subtotal</i>	<b>47</b>
<b>Total</b>	<b>196</b>

CHFPG: Community Health Facilities Grant Program

Source: Fiscal 2021 *Capital Improvement Program*

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### **Federally Qualified Health Centers**

There are 20 FQHC organizations in Maryland with 135 delivery sites statewide. Every county is reported to have at least 1 FQHC except Calvert and Carroll, and Baltimore City has 32 of the FQHC service sites. To qualify for designation as an FQHC, an area must first be designated by the federal government as a medically underserved area or serve a medically underserved population based on criteria established by the U.S. Department of Health and Human Services. These medically underserved areas are shown by the map in **Exhibit 3**.



**Exhibit 3**  
**Maryland’s Medically Underserved Areas**



Source: U.S. Department of Health and Human Services

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As shown in **Exhibit 4**, the fiscal 2021 request for the FQHC grant program has three projects selected in two jurisdictions. The Maryland Consolidated Capital Bond Loan of 2020 includes \$2.5 million in general obligation bonds for this program

**Exhibit 4  
FQHC Grant Program Selections  
Fiscal 2021**

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Total Estimated Cost</u>	<u>Prior Authorization</u>	<u>2021 Request</u>	<u>Total State Share</u>
Baltimore City	<b>Baltimore Medical System, Inc.:</b> Construct a new dental clinic in a building owned by the Baltimore Medical System. The build out for the dental clinic will total 2,500 net square feet.	\$952,202	\$65,077	\$649,075	75%
Baltimore City	<b>Native American Lifelines, Inc.:</b> Acquire and renovate a building for Native American Lifelines. The new building will expand access and increase wraparound services for the Native American community.	1,916,982		1,437,737	75%
Worcester	<b>Three Lower Counties Community Services, Inc.:</b> Acquire and renovate space between existing suites owned by Three Lower Counties Community Services. This will allow Three Lower Counties Community Services to have a continuous space, accommodating additional providers and lead to expansion of services.	930,000		697,500	75%
Statewide	Available Fund Adjustment	-284,312		-284,312	

FQHC: Federally Qualified Health Centers

Source: Capital Budget

The funding for the fiscal 2021 FQHC grant program includes \$284,312 of additional funding available due to anticipated carryover available from prior year commitments. This carryover allows the fiscal 2021 projects to total \$2,784,312.

## ***Issues***

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### **1. Facilities Master Plan and the Future of Western Maryland Hospital Center**

Originally requested in the 2018 *Joint Chairmen’s Report* and due on October 1, 2018, after two extensions granted by the budget committees, the master plan is anticipated to be submitted by April 15, 2020. The department cited the growing scope of the project and comprehensive nature of this undertaking for the cause of the extensions. However, the department did submit a feasibility study for the Western Maryland Hospital Center but declined to make recommendations on the future of the hospital until the master plan is completed. The Western Maryland Hospital Center feasibility study finds that, if necessary and high-priority renovations are made in a timely manner, the usable life of the facility could be extended 10 to 20 years. These high-priority renovations would cost an estimated \$12.5 million and include reroofing the hospital entirely, renovating the windows, and improving accessibility to the main entrance.

However, the study also notes that the lack of functional swing space in the hospital would make it challenging to undertake some of the necessary renovations. The comments provided by MDH with this study note that no recommendations will be adopted until the facilities master plan is finalized, and it will continue to maintain the facility for patient safety in the interim. The study also posits the necessity of conducting these renovations for a fairly small patient population.

While the occupancy at the chronic hospitals has declined, both the Regional Institutes for Children and Adolescents and State psychiatric hospitals have maintained occupancy rates above 90%. The department reports that the master plan will take into account capacity at the current facilities and the overall capacity in the State for the types of services currently provided by MDH. This includes a gap analysis of the overall State capacity, including private psychiatric capacity and what role the department will play as well as possible renovations of existing facilities, consolidation of operations, public-private partnerships, and what to do with existing unoccupied or underutilized facilities.

The future of the Western Maryland Hospital Center and the other State hospitals under MDH are also discussed in the MDH Administration Operating Budget Analysis.

## ***Summary of Other Projects in the Capital Improvement Program***

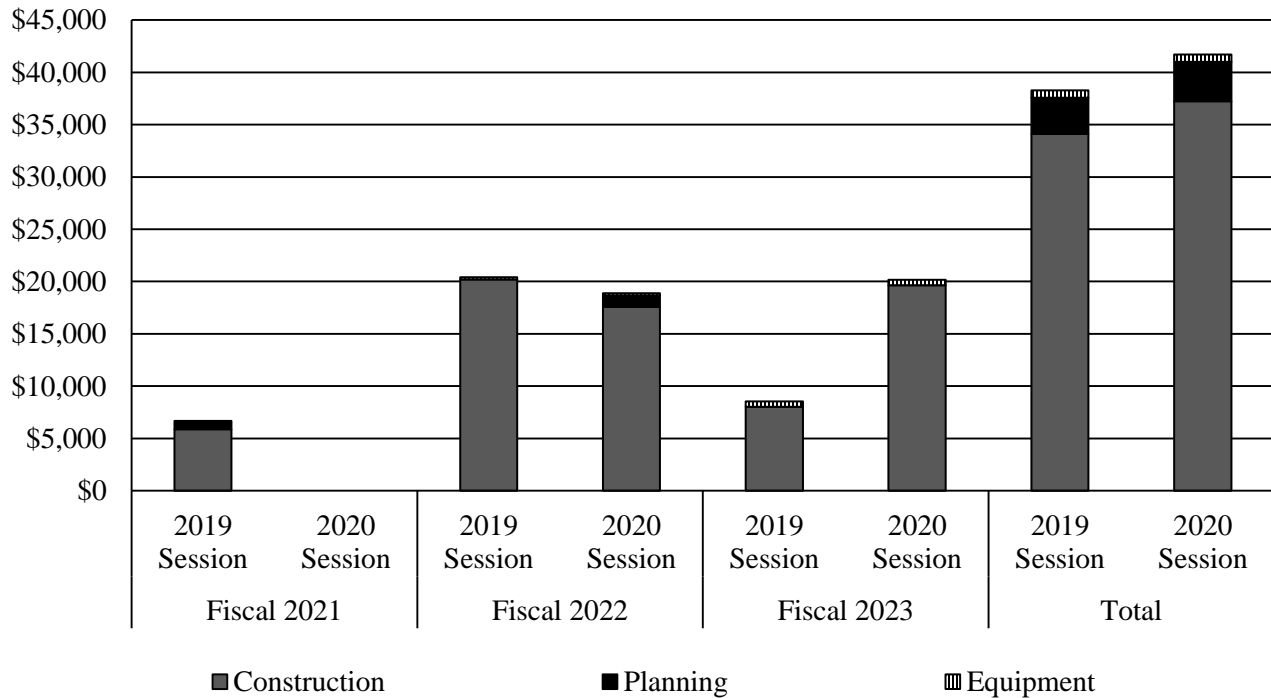
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### **Clifton T. Perkins Hospital Center**

Perkins is the State’s only maximum-security forensic facility. Currently, the 80-bed north wing of Perkins is comprised of four 20-bed medium/minimum-security units. The proposed renovations will transition this unit into additional maximum-security units, reducing the bed capacity from 80 to 68 beds. The renovations will also create a new admissions unit with a secured sally port for the maximum-security population. The renovation will also address infrastructure deficiencies such as updating the kitchen and security system in the unit. The Perkins project is the only State-owned facility

in the CIP for MDH in fiscal 2021 and, as shown in **Exhibit 5**, is experiencing delays that increase the estimated total project cost from what was programmed in the 2019 CIP.

**Exhibit 5**  
**Change in Perkins Renovation Costs**  
**Fiscal 2021-2023**  
**(\$ in Thousands)**



Perkins: Clifton T. Perkins Hospital Center

Note: Total project costs include \$2.672 million of prior authorizations for planning expenditures.

Source: Governor’s Fiscal 2020 and 2021 *Capital Improvement Program*

The total project expenditures increase by \$3.5 million, driven by a \$3.1 million increase in construction costs due to inflation from the eight-month project delay. The other increase scheduled in the current CIP is additional need for planning funds. The delay stems from the decision to conduct a more thorough building condition assessment to evaluate the constructability of the renovation before proceeding with design. The report confirmed that the structural integrity of the building would not be compromised by renovation as scoped.

## ***GO Bond Recommended Actions***

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1. Approve \$6,500,000 in general obligation bonds for the Community Health Facilities Grant Program.
2. Approve \$2,500,000 in general obligation bonds for the Federally Qualified Health Centers Grant Program.