

MA01
Maryland Department of Health

Capital Budget Summary

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

Projects	Prior Auth.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.	Beyond CIP
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Clifton T. Perkins Hospital Center	\$0.000	\$0.375	\$1.775	\$16.479	\$20.906	\$0.000	\$0.000
Total	\$0.000	\$0.375	\$1.775	\$16.479	\$20.906	\$0.000	\$0.000

Fund Source	Prior Auth.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.	Beyond CIP
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GO Bonds	\$0.000	\$0.375	\$1.775	\$16.479	\$20.906	\$0.000	\$0.000
Total	\$0.000	\$0.375	\$1.775	\$16.479	\$20.906	\$0.000	\$0.000

CIP: *Capital Improvement Program*
GO: general obligation

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

Program	2017 Approp.	2018 Approp.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.
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Community Health Facilities Grant Program	\$4.758	\$5.742	\$5.529	\$5.500	\$6.500	\$6.500	\$6.500
Federally Qualified Health Centers	2.500	0.000	2.500	2.500	2.500	2.500	2.500
Total	\$7.258	\$5.742	\$8.029	\$8.000	\$9.000	\$9.000	\$9.000

Fund Source	2017 Approp.	2018 Approp.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.
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GO Bonds	\$7.258	\$5.742	\$8.029	\$8.000	\$9.000	\$9.000	\$9.000
Total	\$7.258	\$5.742	\$8.029	\$8.000	\$9.000	\$9.000	\$9.000

GO: general obligation

Summary of Issues

Master Plan Process Continues: The Maryland Department of Health (MDH) submitted a report containing a conceptual Facilities Master Plan in response to a request from the budget committees in the 2017 *Joint Chairmen’s Report*. This plan contained various early action items that the department is pursuing while procuring an outside consultant to perform a full Facilities Master Plan this year. **To ensure that the full Facilities Master Plan is submitted on time, the Department of Legislative Services (DLS) recommends the adoption of committee narrative requesting the development and submission of a full Facilities Master Plan.**

Summary of Recommended Bond Actions

1. Maryland Department of Health
Adopt Committee Narrative.
2. Community Health Facilities Grant Program
Approve \$5,529,000 in general obligation bonds.
3. Federally Qualified Health Centers Grant Program
Approve \$2,500,000 in general obligation bonds.
4. Clifton T. Perkins Hospital North Wing Renovations
Approve \$375,000 in general obligation bonds.
5. SECTION 2 – Maryland Department of Health – Spring Grove Hospital Center
Approve the de-authorization of \$400,000 in general obligation bonds.

Budget Overview

Community Health Facilities Grant Program

MDH’s Community Health Facilities Grant Program provides capital grants for the acquisition, design, construction, renovation, and equipping of facilities that provide mental health, developmental disabilities, and substance use disorder services. The program is considered an integral part of the State’s efforts to facilitate the de-institutionalization of the mentally ill and developmentally disabled by assisting in the funding of residential facilities within the community. It also seeks to develop community resources to prevent institutionalization of the addicted. The State may fund up to 75% of the cost of each project.

Proposed Fiscal 2019 Projects

For fiscal 2019, as shown in **Exhibit 1**, the department is proposing to support nine projects; seven of the projects will serve individuals with behavioral health conditions, while two will serve individuals with intellectual or developmental disabilities. Of the projects proposed, only three have either prior authorizations or future commitment requests. This is in contrast to the previous year where multiple projects indicated future needs. However, based on information provided by the department, most of those projects have experienced delays, and while no funding is proposed in fiscal 2019 for

these projects, once they are ready to proceed, they will request additional State funding in future fiscal years. Also notably, fiscal 2019 represents the last year of funding for the Avery Road Treatment Center in Montgomery County, which has required a significant, multi-year commitment from the State under this program. Accommodating future funding requests should be easier as the current *Capital Improvement Program* (CIP) reflects an increase in funding for the program to \$6.5 million annually beginning in fiscal 2021.

Exhibit 1
Fiscal 2019 Community Health Facilities Grant Program
Proposed Projects

<u>Subdivision</u>	<u>Project Title</u>	<u>Project Detail</u>	<u>Estimated Cost</u>	<u>Prior Auth.</u>	<u>2019 Amount</u>	<u>Future Request</u>	<u>Total State Share (%)</u>
Baltimore City	People Encouraging People, Inc.	Acquire and renovate five affordable housing units for nonelderly, low-income individuals with behavioral health disorders.	\$1,005,695		\$754,271		75.0%
Baltimore County	Key Point Health Services, Inc.	Acquire five three-bedroom, single-family homes to provide supported housing services to 15 individuals with severe and persistent mental illness.	900,000		675,000		75.0%
Howard	iHomes, Inc.	Acquire four two-bedroom condominiums to provide affordable housing for eight very low-income individuals suffering from mental illness.	880,000		554,400		63.0%
Montgomery	Housing Unlimited, Inc.	Acquire five townhouses to accommodate up to 14 individuals with chronic psychiatric disabilities.	1,288,356		940,500		73.0%

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<u>Subdivision</u>	<u>Project Title</u>	<u>Project Detail</u>	<u>Estimated Cost</u>	<u>Prior Auth.</u>	<u>2019 Amount</u>	<u>Future Request</u>	<u>Total State Share (%)</u>
Montgomery	Main Street Connect, Inc.	Construct 18 housing units to provide affordable, accessible, and integrated living and enhanced community engagements for adults with developmental disabilities.	4,423,000		884,600	\$884,600	40.0%
Montgomery	Avery Road Treatment Center/ Montgomery County Government	Construct new 60-bed residential facility for individuals with substance use disorders to replace existing capacity on that same site.	13,746,955	\$2,440,604	1,504,772		28.7%
Talbot	Channel Marker, Inc. Regional Wellness Center	Renovate a building to house a regional wellness facility that will house psychiatric rehabilitation, community support, health home, supported employment, residential, and administrative offices.	2,000,000		250,000		12.5%
Worcester	Joan W. Jenkins Foundation, Inc.	Construct an addition to the second floor of the Worcester Addiction Cooperative Services Center. The center provides collaborative addiction treatment and recovery services.	363,604	101,250	171,453		75.0%

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<u>Subdivision</u>	<u>Project Title</u>	<u>Project Detail</u>	<u>Estimated Cost</u>	<u>Prior Auth.</u>	<u>2019 Amount</u>	<u>Future Request</u>	<u>Total State Share (%)</u>
Regional	Anthony Wayne Rehabilitation Center for the Handicapped and Blind	Acquire and renovate two four-bedroom homes to serve a total of eight individuals with developmental disabilities and forensic involvement who are to be discharged from, or are at risk of admission to, the State’s Secure Evaluation and Therapeutic Treatment facility.	922,892		618,338		67.0%
Statewide	Cash Flow, Prior Commitments, and Available Funds Adjustment		-824,334		-824,334		100.0%
Total			\$24,706,168	\$2,541,854	\$5,529,000	\$884,600	36.2%

Note: Most projects have a State share in excess of 70%. The overall State share in the program is driven down by the Avery Road Treatment Center, which is a very large project where a State share of more than 50% would not be feasible within the budget of this program.

Source: Maryland Department of Health

Fiscal 2019 Financial Analysis and Overall Program Activity

While the total fiscal 2019 State support for the nine projects is \$6,353,334, the funding request for the fiscal 2019 Community Health Facilities Grant Program is based on the cash flow analysis provided in **Exhibit 2**. **Exhibit 3** summarizes prior-year authorization encumbrance and expenditure data. Typically, grantees require two years to formally encumber the State grant funds, which accounts for the \$9 million of unencumbered funds reflected in the exhibit.

Exhibit 2
MDH – Fiscal 2019 Community Health Facilities Grant Program
Cash Flow Analysis

State share of proposed fiscal 2019 projects	\$6,354,000
Carryover of projects from prior year commitments	3,786,000
Funds available at the end of fiscal 2018	-4,611,000
Cash flow adjustment for fiscal 2018	0
Total	\$5,529,000

MDH: Maryland Department of Health

Source: Maryland Department of Health; Department of Budget and Management

Exhibit 3
Community Health Facilities Grant Program Authorization
Encumbrance and Expenditure Data
(\$ in Millions)

Fiscal Year	Authorization	Funds		Balances	
		Encumbered	Expended	To Be Encumbered	To Be Expended
Prior Years	\$169.620	\$169.620	\$169.223	\$0.000	\$0.397
2014	5.250	5.250	5.138	0.000	0.112
2015	5.183	5.183	5.183	0.000	0.000
2016	5.263	5.263	3.165	0.000	2.098
2017	4.758	1.330	0.721	3.428	4.037
2018	5.742	0.000	0.000	5.742	5.742
Total	\$195.816	\$186.647	\$183.430	\$9.170	\$12.386

Note: Data effective February 27, 2018. Numbers may not sum due to rounding.

Source: Maryland Department of Health; Department of Budget and Management

Federally Qualified Health Centers

Federally Qualified Health Centers (FQHC) are private, not-for-profit health care centers that provide comprehensive primary and preventive care to all individuals regardless of insurance status or their ability to pay. FQHCs exist in areas where economic, geographic, or cultural barriers limit access to primary health care for a substantial portion of the population.

Maryland currently has 20 FQHCs, including 1 urban Native American Clinic and 2 Washington, DC-based FQHCs that have established sites in Maryland, to provide a total of 141 service sites (134 service delivery sites and 7 administrative). Of the 134 clinical sites, 37 are located in Baltimore City, and the remaining sites are located in all counties across the State with the exception of Carroll and Calvert counties.

To qualify for designation as an FQHC, an area must first be designated by the federal government as a medically underserved area (MUA), or serve a medically underserved population (MUP), based on criteria established by the U.S. Department of Health and Human Services. Currently, Maryland has 56 medically underserved designations, 50 that are MUAs and 6 that are MUPs. This is 3 less than last year.

The Secretary of Health may recommend grants for up to 75% of eligible costs to counties, municipal corporations, and nonprofit organizations for the following activities related to establishing and maintaining FQHCs: conversion of public buildings; acquisition of existing buildings; renovation of existing space; purchase of capital equipment; or planning, design, and construction of new facilities.

As shown in **Exhibit 4**, the department is funding three projects in three jurisdictions in fiscal 2019. The Maryland Consolidated Capital Bond Loan of 2018 includes \$2.5 million in general obligation bonds for this program.

Exhibit 4
Fiscal 2019 Federally Qualified Health Centers Grant Program
Proposed Projects

<u>Subdivision</u>	<u>Project Title</u>	<u>Project Detail</u>	<u>Estimated Cost</u>	<u>Prior Auth.</u>	<u>2019 Amount</u>	<u>Future Request</u>	<u>Total State Share (%)</u>
Caroline	Choptank Community Health System, Inc.	Construct a new building to address a need for preventative and comprehensive primary care, behavioral health, oral health, and women’s health services.	\$7,701,106	\$0	\$441,019	\$0	5.7%
Montgomery	Mary’s Center for Maternal and Child Care, Inc.	Construct and equip a dental clinic.	2,688,934	1,013,000	818,086	0	68.1%
Wicomico	Three Lower Counties Community Services, Inc.	Acquire a new facility in Salisbury to provide the capacity to consolidate all obstetrical and gynecological services into one building and meet demand.	7,500,525	2,122,414	1,252,823	0	45.0%
Statewide	Available Funds Adjustment		-11,928	0	-11,928	0	100.0%
Total			\$17,876,637	\$3,135,414	\$2,500,000	\$0	

Source: Maryland Department of Health

The funding request for the fiscal 2019 FQHC Grant Program is based on the cash flow analysis provided in **Exhibit 5**. It should be noted that, while a portion of the funding for fiscal 2014 has been encumbered, as shown in **Exhibit 6**, no funding from fiscal 2015 through 2018 has been encumbered yet in the aggregate amount of \$5.6 million. In fiscal 2018 budget testimony, MDH indicated that FQHCs experience difficulty raising the required matching funds for capital projects because most of the grant funds that the FQHCs do receive support operations and cannot be used for capital purposes. **The agency should advise the committees on what strategies are being employed or can be employed to assist FQHCs in raising funds for capital projects.**

Exhibit 5
MDH – Fiscal 2019 Federally Qualified Health Centers Grant Program
Cash Flow Analysis
 (\$ in Millions)

State share of proposed fiscal 2019 projects	\$2.512
Carryover of projects from prior year commitments	2.758
Funds available at the end of fiscal 2018	-2.770
Total	\$2.500

MDH: Maryland Department of Health

Source: Maryland Department of Health; Department of Budget and Management

Exhibit 6
Federally Qualified Health Centers
Authorization Encumbrance and Expenditure Data
 (\$ in Millions)

		Funds		Balances	
Fiscal Year	Authorization	Encumbered	Expended	To Be Encumbered	To Be Expended
Prior Years	\$19.675	\$19.675	\$19.555	\$0.000	\$0.120
2014	0.660	0.241	0.109	0.419	0.551
2015	2.276	0.000	0.000	2.276	2.276
2016	0.371	0.000	0.000	0.371	0.371
2017	2.500	0.000	0.000	2.500	2.500
2018	0.000	0.000	0.000	0.000	0.000
Total	\$25.482	\$19.916	\$19.664	\$5.566	\$5.818

Note: Data effective February 27, 2018. Numbers may not sum due to rounding.

Source: Maryland Department of Health; Department of Budget and Management

Clifton T. Perkins Hospital Center

The fiscal 2019 capital budget includes \$375,000 for the renovation of the North Wing of the Clifton T. Perkins Hospital Center. This project, estimated to cost approximately \$39.5 million, would renovate the entire 80-bed North Wing of the facility to a maximum-security level as well as construct a new food service center on that side of the facility. The project will also create a new admissions intake unit at the current kitchen space, rework the existing main storage areas, construct a secured vehicular sally port, and create a new kitchen area. The funding included in the budget for fiscal 2019 is for initial design, with the 2018 CIP showing funding in the out-years for fiscal 2020 through 2022.

This project was included in the CIP last year as well, with funding scheduled for the same timeframe as the current CIP. However, there are some changes, including a lower funding amount for fiscal 2019 (down from \$1.1 million) that will fund design through schematics rather than through construction documents as programmed in the 2017 CIP. The primary reason for only funding design through schematic in fiscal 2019 is because MDH has not conducted a feasibility study, which must be done before the design phase commences. Funding for this study is included in a fiscal 2018 deficiency appropriation. The estimated cost to complete the project is now \$39.5 million, up from the \$35.1 million reflected in last year's CIP. However, these estimates are very preliminary and will be refined through the project design phase that is scheduled to commence in March 2019.

Further, this project is going to require the licensed capacity of the North Wing to decrease from 80 beds to 68 beds to maintain compliance with code and licensing requirements. This will result in lowering the current operating capacity at the hospital, as currently all 80 licensed beds are now in operation. **The department should comment on how it plans to replace the 12 beds that will be lost due to the renovation.**

Issues

1. Master Plan Process Continues

In response to a report requested by the budget committees last year, MDH submitted a conceptual Facilities Master Plan on October 20, 2017. The plan included various early action items that the department is currently pursuing, most of which have been previously discussed in prior operating and capital analyses, and include the following:

- transforming the Behavioral Health Administration (BHA) into an integrated division with shared services and a systemwide facilities model, and an integrated approach at increasing bed capacity (more information on this can be found in the MDH BHA Operating Analysis);
- performing upgrades to the roofs and launching the Holly Center Reimagined initiative;

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- completing the work of the workgroup to discuss public-private partnerships at Western Maryland Hospital Center (more information on this can be found in the MDH Chronic Hospitals Operating Analysis);
- relocating the Eastern Shore Regional Laboratory from Holly Center to Deer’s Head Hospital Center;
- enlisting the Maryland Stadium Authority to provide an assessment and study for the future use of the Crownsville Hospital Center (more information on this can be found in the MDH BHA Operating Analysis);
- surplus and disposing of the Rosewood Center (further discussed in the Maryland Independent Colleges and Universities Association Capital Analysis); and
- renovating the North Wing at Clifton T. Perkins Hospital Center, which has already been discussed in this analysis.

Beyond the early action items, the report contained very little further information, other than reiterating that the department is currently procuring the services of an outside consultant, in coordination with the Department of General Services, to complete the full Facilities Master Plan by October 1, 2018, as required by the narrative. To ensure that the full Facilities Master Plan is submitted on time, **DLS recommends the adoption of committee narrative requesting the development and submission of a full Facilities Master Plan.**

De-authorizations

The capital budget bill as introduced includes one de-authorization of a project for MDH. This project, as presented in **Exhibit 7**, is for a consolidation project at the Spring Grove Hospital Center. This project was authorized during the 2013 session, in response to a report from MDH about consolidating the property. At the time, MDH was considering transferring a portion of the Spring Grove Hospital Center campus to a local developer in exchange for having this developer renovate existing buildings on the campus. The bond authorization was intended to assist in the design and renovation costs for the consolidation.

However, this project never moved forward as subsequent changes in the senior leadership of the department resulted in a decision to no longer pursue the property transfer. At this time, the department is waiting for the recommendations that will be forthcoming in the Facilities Master Plan before considering any further significant changes to the Spring Grove Hospital Center.

**Exhibit 7
De-authorizations**

De-authorizations

<u>Project</u>	<u>De-authorized Amount</u>	<u>Reason</u>
Spring Grove Hospital Center Consolidation	\$400,000	No longer moving forward.

Source: Department of Budget and Management, 2018 *Capital Improvement Program*

GO Bond Recommended Actions

1. Adopt Committee Narrative

Facilities Master Plan: The budget committees request that the Maryland Department of Health (MDH) submit a Facilities Master Plan, written in accordance with the guidelines provided for such a plan by the Department of Budget and Management, which builds upon the Conceptual Facilities Master Plan previously submitted. The report shall be due by October 1, 2018.

Information Request	Author	Due Date
Facilities Master Plan	MDH	October 1, 2018

2. Approve \$5,529,000 in general obligation bonds for the Community Health Facilities Grant Program.
3. Approve \$2,500,000 in general obligation bonds for the Federally Qualified Health Centers Grant Program.
4. Approve \$375,000 in general obligation bonds for the Clifton T. Perkins Hospital North Wing Renovation.
5. Approve the de-authorization of \$400,000 in general obligation bonds for the Spring Grove Hospital Center Consolidation.