

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 579 (Senator Bromwell. *et al.*)

Budget and Taxation and Finance

Local Government Health Funding Incentive Program

This bill establishes a Local Government Health Funding Incentive Program to encourage counties to increase funding for community services by allowing them to leverage additional federal funds, specify particular community service providers who can receive the funds, and be released from a State funding mandate. It authorizes a county to participate if the county appropriates local funds for an “eligible program”, which includes specified developmental disability and mental health community services and State health facilities. A county is deemed to have met its current mandate requiring a specified contribution to the Developmental Disabilities Administration (DDA) for day programs if the local appropriation includes funds for the developmentally disabled in an amount that is at least twice its mandated amount. For a county that meets this condition, the Governor is required to include in the DDA budget an amount equal to the county’s mandated contribution; these State funds must be in addition to the regular operating budget for DDA.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: Expenditures could increase by up to \$2.4 million annually for day programs beginning in FY 2000, depending on county participation rates. Increased administrative expenditures would be offset by fees charged to participating counties. Potential minimal increase in special fund revenues.

Local Effect: Indeterminate effect on expenditures and federal fund revenues.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Bill Summary: The bill requires the Department of Health and Mental Hygiene (DHMH) to: (1) direct locally appropriated funds to an eligible program in the manner that a county specifies; (2) cooperate with a county in obtaining any potential federal matching funds; and (3) use federal matching funds to supplement a local program designated by a participating county. DHMH is authorized to recover reasonable costs of administering the Local Government Health Funding Incentive Program from a participating county.

Background: Current law freezes the levels required to be paid by local jurisdictions for the cost of day programs provided by DDA to fiscal 1984 levels. Montgomery County has not contributed the prescribed level of funds for these purposes from fiscal 1993 through 1997. All other counties continue to provide their share of resources to DDA. Most counties also contribute direct support to residential community services programs within their jurisdictions.

However, since fiscal 1994, Montgomery County has contributed funds to DDA in support of residential community services within the county. These funds are then eligible for federal matching funds when administered by DDA. In this way, Montgomery County has been able to augment funding in support of community services for its developmentally disabled population and leverage those funds through DDA for federal dollars, in effect reducing the need for county dollars to provide desired levels of service. Montgomery County ceased paying the legislated amounts for day services on the premise that those funds were included in the totals submitted to DDA. In this way, Montgomery County was able to reduce its contribution to residential programs while maintaining the same level of services (now partly funded by federal dollars) and cease paying funds for day services which were then supported fully with State funding.

A legislative audit issued June 19, 1996 and covering the period January 6, 1993 to June 30, 1995, reviewed DHMH and recommended that the office take steps to recover from Montgomery County its arrearages, and to continue to bill the local government for such costs in the future, unless an attorney general's opinion is obtained to support why such amounts should not be collected.

In 1997, the Secretary of the Department of Health and Mental Hygiene wrote to the Secretary of the Department of Budget and Management (DBM) requesting the abatement of approximately \$1.1 million owed by Montgomery County at that time. In response to this request, DBM agreed to abate the accounts receivable due from Montgomery County for fiscal 1994 through 1997. The intention of the agreement was that Montgomery County would begin to pay its mandated share of \$295,002 per year for day programs.

State Expenditures: The local jurisdictions' combined contribution for day programs totals \$2.4 million. Hence, expenditures could increase by up to \$2.4 million in fiscal 2000. The

exact amount depends on the extent to which local jurisdictions choose to participate in the incentive program rather than make the required day program contribution. In addition, State expenditures could increase to assist local jurisdictions in obtaining potential federal fund reimbursement available for eligible programs supported with locally appropriated funds. Since the bill authorizes DDA to recover reasonable costs of administering the program, any increased administrative expenditures would be offset by fees charged to participating counties. DDA plans to contract for accounting services to administer the program.

In addition, special fund revenues could increase to the extent that local jurisdictions choose to contribute funding for a State health facility. Any such impact is assumed to be minimal.

Local Effect: Because the bill gives an incentive to a county to provide twice its mandated day care program contribution for eligible programs, local expenditures could increase. Expenditures could potentially decrease, however, to the extent that a county is currently providing more than twice its mandated day care program contributions, although this is unlikely because local jurisdictions are providing funds for eligible programs of their own volition. Moreover, expenditures could decrease to the extent that a county is able to leverage federal fund reimbursement by passing its funds through DDA's or the Mental Hygiene Administration's (MHA) federal Medicaid waivers. To the extent that a county obtains federal fund reimbursement, it could decrease its expenditures and providers would still receive the same amount of funding. However, the amount of federal fund reimbursement obtained by a county would depend on what services a county directs its funding towards, since not all services are eligible for federal fund reimbursement under the waiver.

Additional Comments: Although there is no requirement to do so, counties currently appropriate approximately \$13 million annually for mental health services.

Small Business Effect: Small business developmental disabilities and mental health community providers could be favorably affected by the bill to the extent that local jurisdictions increase funding for eligible programs and obtain additional federal fund reimbursement.

Information Source(s): Department of Health and Mental Hygiene (Developmental Disabilities Administration, Mental Hygiene Administration, Community and Public Health Administration); Montgomery, Washington, Worcester, and Prince George's counties; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 1998

ncs

Analysis by: Sue Friedlander
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710