

**Department of Legislative Services**  
Maryland General Assembly  
2000 Session

**FISCAL NOTE**

Senate Bill 580 (Senators Currie and Hogan)  
Budget and Taxation and Finance

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**Local Government Health Funding Incentive Program**

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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’s effective date is July 1, 2001.

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**Fiscal Summary**

**State Effect:** No effect on revenues or expenditures in FY 2001. General fund expenditures increase by up to \$2.4 million in FY 2002 and beyond.

**Local Effect:** Expenditures increase depending on participation rate.

**Small Business Effect:** Potential meaningful.

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**Analysis**

**Current Law:** 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. The Department of Health and Mental Hygiene and DDA must direct locally appropriated funds in accordance with appropriate State and federal Medicaid requirements. The Assistant Attorney General for Medicaid advises that supplementation of established Medicaid rates with federal matching funds as required in the bill is illegal. Jurisdictions cannot obtain federal matching funds for transfer to an eligible program in accordance with Medicaid requirements.

**Background:** Since fiscal 1998, all participating counties have provided their share of resources to DDA (Day Habitation) and most also contribute direct support to residential community service programs within their jurisdictions. Several local jurisdictions have attempted to supplement the rates paid by the State for programs and services to eligible individuals by obtaining federal funds. In the past year, those counties have discontinued efforts to apply their supplemental appropriation through the developmental disabilities waiver, and were advised that the practice would go against Medicaid funding laws. Counties are required to contribute money to the State to cover a portion of the State's costs but, under this bill's provisions, if the counties directly pay providers twice the amount they need to send to the State, they can stop payment to the State, and use the funds for purposes other than mental health services or developmental disabilities programs. In addition, this bill requires any shortfall of local funds to the State to be made up by the Governor through the State budget.

**State Expenditures:** The local jurisdictions' combined contribution for eligible day programs totals \$2.4 million. Hence, expenditures could increase by up to \$2.4 million in fiscal 2002 to make up that amount. 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, 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 Fiscal 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 for various programs and services. 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.

**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.

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### Additional Information

**Prior Introductions:** Identical bills were cross filed in the 1999 session as HB 317/SB 327. SB 327 was reported out of the Senate Budget and Taxation and Finance Committees. Both bills were sent to the House Appropriations Committee, but neither bill was reported out.

Similar bills were cross filed as HB 1056/SB 579 in the 1998 session, but neither bill was reported out of the House Appropriations Committee.

**Cross File:** HB 502 (Delegate Cadden, *et al.*) - Appropriations.

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

**Fiscal Note History:** First Reader - February 27, 2000  
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