5lr0182 CF 5lr0232

By: The President (By Request - Administration) and Senators Astle, Brinkley, Colburn, Conway, Currie, Greenip, Hafer, Haines, Harris, Jacobs, Kasemeyer, Lawlah, McFadden, Middleton, Mooney, Pipkin, Schrader, and Stoltzfus Stoltzfus, Della, Exum, Gladden, Hooper, Kelley, and Teitelbaum

Introduced and read first time: January 21, 2005 Assigned to: Finance

Committee Report: Favorable with amendments Senate action: Adopted Read second time: March 24, 2005

CHAPTER_____

1 AN ACT concerning

2 3

Department of Health and Mental Hygiene - Federally Qualified Health Centers Grant Program

4 FOR the purpose of creating the Federally Qualified Health Centers Grant Program;

5 authorizing the Board of Public Works, on the recommendation of the Secretary

of Health and Mental Hygiene, to provide grants under the Program to counties,
 municipal corporations, and nonprofit corporations for the conversion of public

8 buildings to federally qualified health centers facilities, the acquisition of

9 existing buildings or parts of buildings for use as federally qualified health

10 centers, the renovation of federally qualified health centers, the purchase of

11 capital equipment for federally qualified health centers, and the planning,

12 design, and construction of federally qualified health centers; requiring the

13 Department of Health and Mental Hygiene to make certain recommendations;

14 providing for the application process; authorizing the Board of Public Works to

15 adopt certain regulations; providing certain terms, conditions, and limitations

16 on the allocations, use, and amount of State grants; prohibiting proceeds of a

grant from being used for certain religious purposes; requiring the Governor to
 include funding in the capital budget for the Federally Qualified Health Centers

19 <u>Grant Program</u>; authorizing the State, under certain circumstances, to recover a

20 certain portion of the State funds expended; providing for a certain judicial

21 proceeding and liens to enforce the State's right of recovery and the priority of

the proceeding and the lien; requiring the Department to adopt certain

23 regulations; defining certain terms; and generally relating to grants for

24 federally qualified health centers.

1 BY adding to

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- 2 Article Health General
- 3 Section 24-1301 through 24-1307, inclusive, to be under the new subtitle
- 4 "Subtitle 13. Federally Qualified Health Centers Grant Program"
- 5 Annotated Code of Maryland
- 6 (2000 Replacement Volume and 2004 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF8 MARYLAND, That the Laws of Maryland read as follows:

9

Article - Health - General

10 SUBTITLE 13. FEDERALLY QUALIFIED HEALTH CENTERS GRANT PROGRAM.

11 24-1301.

12 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS 13 INDICATED.

14 (B) "FEDERALLY QUALIFIED HEALTH CENTER" MEANS A HEALTH CENTER 15 THAT IS:

16 (1) DESIGNATED AS A FEDERALLY QUALIFIED HEALTH CENTER UNDER 17 § 330 OF THE FEDERAL PUBLIC HEALTH SERVICE ACT, 42 U.S.C. 254B; AND

18 (2) WHOLLY OWNED BY AND OPERATED UNDER THE AUTHORITY OF A19 COUNTY, MUNICIPAL CORPORATION, OR NONPROFIT ORGANIZATION.

20 (C) "NONPROFIT ORGANIZATION" MEANS:

(1) A BONA FIDE RELIGIOUS ORGANIZATION, NO PART OF THE
EARNINGS OF WHICH INURES TO THE BENEFIT OF ANY INDIVIDUAL OR IS USED FOR
ANY PURPOSE OTHER THAN THE MAINTENANCE AND OPERATION OF A FACILITY,
THE PURCHASE OF EQUIPMENT TO BE USED IN A FACILITY, OR THE EXPANSION OF A
FACILITY; OR

26 (2) AN ORGANIZATION:

27 (I) THAT IS CHARTERED AS A NONPROFIT CORPORATION AND
 28 CLASSIFIED BY THE INTERNAL REVENUE SERVICE AS NONPROFIT; AND

(II) NO PART OF THE EARNINGS OF WHICH INURES TO THE
BENEFIT OF ANY INDIVIDUAL OR IS USED FOR ANY PURPOSE OTHER THAN THE
MAINTENANCE AND OPERATION OF A FACILITY, THE PURCHASE OF EQUIPMENT TO
BE USED IN A FACILITY, OR THE EXPANSION OF A FACILITY.

33 (D) "WHOLLY OWNED" INCLUDES LEASED, IF:

1 (1) (I) THE LEASE IS FOR A MINIMUM TERM OF 30 YEARS FOLLOWING 2 PROJECT COMPLETION; OR

3 (II) THE LEASE AGREEMENT EXTENDS THE RIGHT OF PURCHASE 4 TO THE LESSEE; AND

5 (2) THE LESSOR CONSENTS TO THE RECORDING IN THE LAND RECORDS
6 OF THE COUNTY OR BALTIMORE CITY WHERE THE FACILITY IS LOCATED, OF A
7 NOTICE OF THE STATE'S RIGHT OF RECOVERY AS PROVIDED UNDER § 24-1306 OF THIS
8 SUBTITLE.

9 24-1302.

10 (A) THERE IS A FEDERALLY QUALIFIED HEALTH CENTERS GRANT PROGRAM.

(B) ON THE RECOMMENDATION OF THE SECRETARY, THE BOARD OF PUBLIC
WORKS MAY MAKE GRANTS TO COUNTIES, MUNICIPAL CORPORATIONS, AND
NONPROFIT ORGANIZATIONS FOR:

14 (1) THE CONVERSION OF PUBLIC BUILDINGS OR PARTS OF PUBLIC 15 BUILDINGS TO FEDERALLY QUALIFIED HEALTH CENTERS;

16 (2) THE ACQUISITION OF EXISTING BUILDINGS OR PARTS OF BUILDINGS 17 FOR USE AS FEDERALLY QUALIFIED HEALTH CENTERS;

18 (3) THE RENOVATION OF FEDERALLY QUALIFIED HEALTH CENTERS;

19 (4) THE PURCHASE OF CAPITAL EQUIPMENT FOR FEDERALLY 20 QUALIFIED HEALTH CENTERS; OR

(5) THE PLANNING, DESIGN, AND CONSTRUCTION OF FEDERALLY22 QUALIFIED HEALTH CENTERS.

23 24-1303.

(A) ANY COUNTY, MUNICIPAL CORPORATION, OR NONPROFIT ORGANIZATION
SPONSORING A PROJECT INVOLVING WORK SPECIFIED IN § 24-1302 OF THIS
SUBTITLE MAY APPLY TO THE SECRETARY FOR A STATE GRANT TO BE APPLIED
TOWARD THE COST OF THAT PROJECT.

28 (B) THE APPLICATION FOR A GRANT SHALL INCLUDE:

29 (1) PROJECT PLANS FOR THE WORK TO BE CARRIED OUT;

30 (2) A STATEMENT LISTING THE PERSONNEL EMPLOYED OR TO BE
31 EMPLOYED AT THE FEDERALLY QUALIFIED HEALTH CENTER, INCLUDING ALL
32 REMUNERATION AND PERQUISITES FOR PERSONAL SERVICES AND ALL OTHER
33 EXPENSES PAID OR TO BE PAID TO THE PERSONNEL;

34 (3) ALL OTHER EXPENSES INCURRED OR TO BE INCURRED IN
 35 OPERATING THE FEDERALLY QUALIFIED HEALTH CENTER; AND

1 (4) THE SCHEDULE OF RATES CHARGED OR TO BE CHARGED FOR 2 SERVICES RENDERED.

3 (C) ON APPROVAL OF A PROJECT AND THE PROJECT PLANS, THE SECRETARY
4 SHALL PROMPTLY REPORT THE APPLICATION TO THE BOARD OF PUBLIC WORKS,
5 TOGETHER WITH THE SECRETARY'S RECOMMENDATION THAT THE BOARD MAKE
6 FUNDS AVAILABLE AS PROVIDED IN THIS SUBTITLE.

7 24-1304.

8 (A) THE ALLOCATION AND USE OF STATE FUNDS UNDER THIS SUBTITLE ARE9 SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THIS SECTION.

10 (B) STATE FUNDS MAY ONLY BE USED FOR THE PURPOSES LISTED UNDER § 11 24-1302 OF THIS SUBTITLE AND APPROVED BY THE SECRETARY UNDER § 24-1303 OF 12 THIS SUBTITLE.

13 (C) THE ALLOCATION AND USE OF STATE FUNDS UNDER THIS SUBTITLE ARE 14 SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:

15 (1) ANY FEDERAL OR OTHER GRANT THAT IS RECEIVED FOR AN
16 ELIGIBLE PROJECT SHALL BE APPLIED FIRST TO THE COST OF THE PROJECT;

17 (2) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, A STATE
18 GRANT MAY NOT EXCEED 50% OF THE COST OF ELIGIBLE WORK REMAINING UNPAID
19 AFTER ALL FEDERAL GRANTS HAVE BEEN APPLIED; AND

20 (3) FOR PURPOSES OF THIS SUBTITLE, COMMUNITY DEVELOPMENT
21 BLOCK GRANT FUNDS SHALL BE CONSIDERED AS LOCAL MATCHING FUNDS AND MAY
22 NOT BE CONSIDERED AS FEDERAL GRANT FUNDS.

(D) FOR A PROJECT DESIGNATED AS ELIGIBLE FOR POVERTY AREA FUNDING
UNDER FEDERAL REGULATIONS, STATE PLANS, OR DEPARTMENTAL REGULATIONS, A
STATE GRANT MAY COVER UP TO 75% OF THE COST OF ELIGIBLE WORK REMAINING
UNPAID AFTER ALL FEDERAL GRANTS HAVE BEEN APPLIED.

27 (E) THE AMOUNT OF THE STATE GRANT RECOMMENDED TO THE BOARD OF
28 PUBLIC WORKS FOR ANY PROJECT SHALL BE DETERMINED AFTER CONSIDERATION
29 OF:

30 (1) ALL ELIGIBLE PROJECTS;

(2) THE TOTAL OF UNALLOCATED STATE FUNDS AVAILABLE AT THE
 TIME THE GRANT RECOMMENDATION IS MADE TO THE BOARD OF PUBLIC WORKS;
 AND

34 (3) THE PRIORITIES OF AREA NEED ESTABLISHED BY THE DEPARTMENT.

35 (F) (1) NO PORTION OF THE PROCEEDS OF A STATE GRANT MAY BE USED:

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(I) TO FURTHER SECTARIAN RELIGIOUS INSTRUCTION;

1(II)IN CONNECTION WITH THE DESIGN, ACQUISITION, OR2CONSTRUCTION OF ANY BUILDING TO BE USED AS A PLACE OF SECTARIAN3RELIGIOUS WORSHIP OR INSTRUCTION; OR

4 (III) IN CONNECTION WITH ANY PROGRAM OR DEPARTMENT OF 5 DIVINITY FOR ANY RELIGIOUS DENOMINATION.

6 (2) ON THE REQUEST OF THE BOARD OF PUBLIC WORKS, THE
7 APPLICANT SHALL SUBMIT EVIDENCE SATISFACTORY TO THE BOARD THAT THE
8 PROCEEDS OF THE GRANT ARE NOT BEING USED FOR A PURPOSE PROHIBITED
9 UNDER THIS SUBSECTION OR UNDER APPLICABLE FEDERAL LAW.

(G) BEGINNING IN FISCAL YEAR 2007 AND CONTINUING EVERY FISCAL YEAR
 THEREAFTER, THE GOVERNOR SHALL INCLUDE AN APPROPRIATION IN THE STATE
 CAPITAL BUDGET TO BE DISTRIBUTED AND MANAGED IN ACCORDANCE WITH THIS
 SUBTITLE.

14 24-1305.

15 (A) THE BOARD OF PUBLIC WORKS SHALL MAKE ALLOCATIONS FROM FUNDS
 16 AVAILABLE UNDER THIS SUBTITLE IN ACCORDANCE WITH THIS SUBTITLE.

17 (B) THE BOARD SHALL CERTIFY THE ALLOCATIONS TO THE PROPER STATE
18 OFFICERS, AND THE TREASURER SHALL MAKE PAYMENTS TO OR ON BEHALF OF THE
19 APPLICANT, WHEN NEEDED, FOR THE APPROVED PROJECT.

20 (C) THE BOARD OF PUBLIC WORKS MAY ADOPT REGULATIONS TO IMPLEMENT 21 THIS SECTION.

22 24-1306.

(A) THE STATE MAY RECOVER FROM EITHER THE TRANSFEROR OR
TRANSFEREE OR, IN THE CASE OF A PROPERTY THAT HAS CEASED TO BE A
FEDERALLY QUALIFIED HEALTH CENTER, FROM THE OWNER, AN AMOUNT BEARING
THE SAME RATIO TO THE THEN CURRENT VALUE OF SO MUCH OF THE PROPERTY AS
CONSTITUTED AN APPROVED PROJECT AS THE AMOUNT OF THE STATE
PARTICIPATION BORE TO THE TOTAL ELIGIBLE COST OF THE APPROVED PROJECT,
TOGETHER WITH ALL COSTS AND REASONABLE ATTORNEYS' FEES INCURRED BY THE
STATE IN THE RECOVERY PROCEEDINGS, IF, WITHIN 30 YEARS AFTER COMPLETION
OF A PROJECT, A PROPERTY FOR WHICH FUNDS HAVE BEEN PAID UNDER THIS
SUBTITLE:

(1) IS SOLD OR TRANSFERRED TO ANY PERSON, AGENCY, OR
ORGANIZATION THAT WOULD NOT QUALIFY AS AN APPLICANT UNDER THIS
SUBTITLE, OR THAT IS NOT APPROVED AS A TRANSFEREE BY THE BOARD OF PUBLIC
WORKS; OR

37 (2) CEASES TO BE A FEDERALLY QUALIFIED HEALTH CENTER AS
38 DEFINED IN THIS SUBTITLE.

(B) (1) BEFORE THE STATE MAKES ANY FUNDS AVAILABLE FOR AN
 APPROVED PROJECT, THE DEPARTMENT SHALL CAUSE A NOTICE OF THIS RIGHT OF
 RECOVERY TO BE RECORDED IN THE LAND RECORDS OF THE COUNTY OR
 BALTIMORE CITY WHERE THE PROPERTY IS LOCATED.

- 5 (2) THE RECORDING OF THE NOTICE:
- 6
- (I) DOES NOT CREATE A LIEN AGAINST THE PROPERTY; BUT

7 (II) SHALL CONSTITUTE NOTICE TO ANY POTENTIAL TRANSFEREE,
8 POTENTIAL TRANSFEROR, POTENTIAL CREDITOR, OR OTHER INTERESTED PARTY OF
9 THE POSSIBILITY THAT THE STATE MAY OBTAIN A LIEN UNDER THIS SUBTITLE.

10 (C) (1) (I) THE SECRETARY OF THE BOARD OF PUBLIC WORKS MAY FILE A
11 CIVIL COMPLAINT UNDER SUBSECTION (B) OF THIS SECTION, IN THE CIRCUIT COURT
12 FOR THE COUNTY OR BALTIMORE CITY WHERE THE PROPERTY IS LOCATED, AGAINST
13 THE OWNER OF THE PROPERTY AND ANY OTHER INTERESTED PARTIES, INCLUDING
14 ANY TRANSFEROR THAT THE STATE WISHES TO MAKE A PARTY.

(II) THE COMPLAINT SHALL BE FILED WITH:

161.SWORN AFFIDAVITS STATING FACTS ON WHICH THE17ALLEGATIONS OF DEFAULT ARE BASED; AND

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2. A DETAILED JUSTIFICATION OF THE AMOUNT CLAIMED.

(2) IF THE CIRCUIT COURT DETERMINES FROM THE STATE'S INITIAL
 FILING THAT A DEFAULT HAS OCCURRED, PENDING FULL DETERMINATION OF THE
 STATE'S CLAIM, THE COURT SHALL AUTHORIZE A TEMPORARY LIEN ON THE
 PROPERTY:

(I) IN THE AMOUNT OF THE STATE'S COMPLAINT PLUS ANY
ADDITIONAL AMOUNT ESTIMATED TO BE NECESSARY TO COVER THE COSTS AND
REASONABLE ATTORNEYS' FEES INCURRED BY THE STATE; OR

26(II)IN OTHER AMOUNTS THAT THE COURT DETERMINES TO BE27 REASONABLE.

28 (3) (I) A TEMPORARY LIEN SHALL TAKE EFFECT:

ON THE DATE OF THE COURT'S AUTHORIZATION, IF THE
 SECRETARY OF THE BOARD OF PUBLIC WORKS RECORDS A NOTICE OF TEMPORARY
 LIEN IN THE LAND RECORDS OF THE COUNTY OR BALTIMORE CITY WHERE THE
 PROPERTY IS LOCATED WITHIN 10 DAYS AFTER THE COURT'S AUTHORIZATION; OR

332.ON THE DATE A NOTICE OF TEMPORARY LIEN IS34 RECORDED.

35(II)WHILE THE TEMPORARY LIEN IS IN EFFECT, NEITHER THE36OWNER NOR ANY PERSON WHO ACQUIRED AN INTEREST IN THE PROPERTY AFTER

THE STATE FIRST MADE FUNDS AVAILABLE IN CONNECTION WITH THE PROPERTY
 MAY, WITHOUT THE PRIOR WRITTEN CONSENT OF THE STATE:

31.TAKE ANY ACTION THAT WOULD AFFECT THE TITLE TO4 THE PROPERTY; OR

52.INSTITUTE ANY PROCEEDINGS TO ENFORCE A SECURITY6INTEREST OR OTHER SIMILAR RIGHTS IN THE PROPERTY.

7 (4) (I) THE OWNER OF THE PROPERTY OR ANY OTHER INTERESTED 8 PARTY MAY OBTAIN RELEASE OF A TEMPORARY LIEN AT ANY TIME BY FILING WITH 9 THE COURT A BOND SECURING THE PAYMENT IN FULL OF THE STATE'S CLAIM AND 10 ANY ADDITIONAL AMOUNT NECESSARY TO COVER THE COSTS AND REASONABLE 11 ATTORNEYS' FEES INCURRED BY THE STATE.

12 (II) THE OWNER OR OTHER INTERESTED PARTY MAY CAUSE THE 13 RELEASE TO BE RECORDED IN THE LAND RECORDS.

14 (D) PROCEEDINGS TO DETERMINE THE STATE'S RIGHT TO RECOVER AND THE
15 AMOUNT OF ITS RECOVERY UNDER THIS SUBTITLE SHALL HAVE PRIORITY OVER
16 OTHER CIVIL PROCEEDINGS IN THE CIRCUIT COURTS.

17 (E) (1) (I) AT THE CONCLUSION OF FULL ADVERSARY PROCEEDINGS ON
18 THE ISSUE OF DEFAULT AND OF ANY DISPUTES OVER THE AMOUNT OF THE STATE'S
19 RECOVERY, THE CIRCUIT COURT SHALL, IF IT FINDS THAT A DEFAULT HAS
20 OCCURRED, ISSUE A FINAL JUDGMENT FOR THE AMOUNT IT FINDS TO BE
21 RECOVERABLE BY THE STATE.

(II) ALL PARTIES INVOLVED IN THE DEFAULT, INCLUDING IN
EVERY CASE THE OWNER OF THE PROPERTY, SHALL BE HELD JOINTLY AND
SEVERALLY LIABLE TO THE STATE FOR THE AMOUNT OF THE JUDGMENT.

(2) (I) EXCEPT AS THE STATE MAY OTHERWISE PROVIDE BY A
WRITTEN SUBORDINATION AGREEMENT, IF THE AMOUNT OF THE FINAL JUDGMENT
REMAINS UNPAID AFTER 30 DAYS FOLLOWING THE COURT'S FINAL ORDER, THE
FINAL JUDGMENT SHALL CONSTITUTE A LIEN ON THE PROPERTY, SUPERIOR TO THE
LIEN OR OTHER INTEREST OF A MORTGAGEE, PLEDGEE, PURCHASER, OR JUDGMENT
CREDITOR WHOSE INTEREST BECAME PERFECTED AGAINST THIRD PERSONS AFTER
THE STATE FIRST MADE FUNDS AVAILABLE UNDER THIS SUBTITLE.

32 (II) 1. EXCEPT AS PROVIDED IN ITEM 2 OF THIS ITEM, A LIEN
33 TAKES EFFECT ON THE DATE A NOTICE OF LIEN IS RECORDED.

A LIEN TAKES EFFECT ON THE 31ST DAY FOLLOWING THE
 COURT'S FINAL ORDER IF THE SECRETARY OF THE BOARD OF PUBLIC WORKS
 RECORDS A NOTICE OF LIEN IN THE LAND RECORDS OF THE COUNTY OR BALTIMORE
 CITY WHERE THE PROPERTY IS LOCATED ON OR BEFORE THE 41ST DAY FOLLOWING
 THE FINAL ORDER.

1(III)1.AT THE TIME THAT A LIEN TAKES EFFECT, ANY2TEMPORARY LIEN THEN IN EFFECT SHALL BE AUTOMATICALLY AND FULLY3RELEASED.

4 2. THE RECORDED NOTICE OF A LIEN SHALL CONSTITUTE 5 NOTICE OF THE RELEASE OF A TEMPORARY LIEN.

6 (IV) A LIEN IMPOSED UNDER THIS SUBSECTION MAY BE ENFORCED
7 AND FORECLOSED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN THE
8 MARYLAND RULES, EXCEPT THAT NEITHER THE STATE NOR ANY AGENT APPOINTED
9 BY THE STATE TO SELL THE PROPERTY NEED FILE A BOND.

(3) (I) THE OWNER OR ANY OTHER INTERESTED PARTY MAY OBTAIN
 RELEASE OF A LIEN AT ANY TIME BY PAYING TO THE STATE THE FULL AMOUNT OF
 THE JUDGMENT RENDERED BY THE CIRCUIT COURT, TOGETHER WITH INTEREST
 FROM THE DATE OF JUDGMENT.

14 (II) ON PAYMENT IN FULL, THE SECRETARY OF THE BOARD OF 15 PUBLIC WORKS SHALL CAUSE A RELEASE TO BE RECORDED IN THE LAND RECORDS.

16 (4) IF THE CIRCUIT COURT FINDS THAT THERE HAS BEEN NO DEFAULT
17 OR IF THE FULL AMOUNT OF THE COURT'S JUDGMENT IS PAID TO THE STATE WITHIN
18 30 DAYS AFTER THE COURT'S FINAL ORDER, A TEMPORARY LIEN THEN IN EFFECT
19 SHALL BE RELEASED IMMEDIATELY AND THE SECRETARY OF THE BOARD OF PUBLIC
20 WORKS SHALL CAUSE THE RELEASE TO BE RECORDED IN THE LAND RECORDS.

21 (F) (1) ALL FUNDS RECOVERED AS A RESULT OF THIS RIGHT OF RECOVERY
22 SHALL BE DEPOSITED IN THE ANNUITY BOND FUND AND APPLIED TO THE DEBT
23 SERVICE REQUIREMENTS OF THE STATE.

(2) IF THE BOARD DETERMINES THAT THERE IS GOOD CAUSE FOR
RELEASING THE TRANSFEROR, TRANSFEREE, OR OWNER FROM THE OBLIGATION
IMPOSED UNDER THIS SUBTITLE, THE BOARD OF PUBLIC WORKS MAY WAIVE THE
STATE'S RIGHT OF RECOVERY UNDER THIS SUBTITLE.

28 24-1307.

29 THE DEPARTMENT SHALL ADOPT REGULATIONS TO IMPLEMENT THE30 PROVISIONS OF THIS SUBTITLE.

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take 32 effect July 1, 2005.