

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1321 (Chairman, Health and Government Operations Committee)
(By Request – Departmental – Aging)

Health and Government Operations

Older Americans Act Funds - Intrastate Funding Formula

This departmental bill alters a funding formula within the Department of Aging that allocates federal funds under the Older Americans Act to local area agencies on aging.

Fiscal Summary

State Effect: None.

Local Effect: Depending on statewide demographics of the elderly, federal funding allocated to local area agencies on aging would be affected. However, the total amount of federal funds distributed under this bill is not altered.

Small Business Effect: The Department of Aging has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The formula used to allocate federal funding must ensure that each county is allocated at least \$145,000 and must apportion the funds across all counties by taking into account five factors based on the county's proportion of the State's population for certain categories of people. **Exhibit 1** lists the five factors and their corresponding weighted value. If the area agency on aging for the planning and service area of which a county is a part is in compliance with the Older Americans Act and other applicable statutes, regulations, and policies, the funds allocated for each county must be awarded to that area agency on aging.

Exhibit 1
Factors for Proposed Formula

<u>Factor</u>	<u>Weighted Value</u>
Population aged 60 or older	25%
Low -income population aged 60 or older	45%
Low -income minority population aged 60 or older	10%
Geographically isolated population aged 60 or older	5%
Disabled population aged 65 or older	15%

Background: The Older Americans Act requires state units on aging to develop a formula for the intrastate distribution of funds awarded to states under Title III of the Act. In the past, the Department of Aging, working with representatives of the Maryland Association of Area Agencies on Aging, would revisit and revise the formula as necessary. This revision occurred after each decennial census to adjust for population growth and the shifts in population across counties.

The Department of Aging contracted with the University of Maryland Baltimore County's (UMBC) Center for Health Program Development and Management in 2003 to review and recommend revisions to the existing funding formula, using the Older American Act's requirements to target funds to serve those with the greatest economic needs and the greatest social needs. The Act also requires special attention be given to low-income minority individuals. UMBC developed two alternative new formulas, based upon six factors. Although a majority of area agencies on aging voted to support a revised formula based on the UMBC recommendations, several did not.

Before the Department of Aging could submit a new proposed funding formula to the federal government for approval, the General Assembly became involved in the deliberations. The General Assembly required the Department of Aging to use the existing funding formula updated for the 2000 census. Using this methodology resulted in several rural counties and Baltimore City receiving less funding in fiscal 2005, since population growth has been less in these jurisdictions as compared to the faster growing suburban jurisdictions.

To alleviate this issue, the Budget Reconciliation and Financing Act of 2004 (Chapter 430) provided a \$442,210 hold harmless grant to rural jurisdictions to offset the entire reduction in federal funding due to updating the existing formula with 2000 population figures. The Budget Reconciliation and Financing Act also required the Governor to

submit proposed legislation to the General Assembly in the 2005 legislative session that specifies a formula for distributing federal funds under the Older Americans Act to local jurisdictions beginning in fiscal 2007.

HB 1321 contains a formula that adds two new factors to the existing formula: a 5% weighted factor for people living in geographic isolation, defined using Census Bureau classifications for rural areas; and a 15% weighted factor for disabled persons age 65 and older, using Census Bureau data. The factor uses 65 instead of 60 due to the availability of data. The existing formula does not contain any social need factors. The three existing factors are the proportion of: persons aged 60 and older; the State's low income population aged 60 and older; and low income minority population aged 60 and older.

The two new factors will provide additional funding to certain rural counties and Baltimore City. For example, updating the existing formula with 2000 population figures resulted in Allegany County receiving a \$97,700 decrease in federal funding in fiscal 2005 as compared to fiscal 2004. The new formula established in HB 1321 using 2000 population figures only results in Allegany County receiving an \$81,100 decrease in federal funding as compared to fiscal 2004. Due to this adjustment, certain rural counties only need to receive a \$279,500 in hold harmless grant in fiscal 2006. Four counties would no longer need to receive a hold harmless grant in that their estimated funding under the new formula in fiscal 2006 will exceed the amount of funding provided in fiscal 2004.

Local Area Agencies on Aging

There are 19 area agencies on aging in Maryland: 14 are local government agencies and five are nonprofit organizations. According to the Department of Aging, a number of the area agencies on aging are not part of local government, even though they perform a quasi-governmental function to deliver aging services. In two instances, area agencies on aging serve multiple counties in their planning and service areas.

The 5 area agencies on aging that are nonprofit organizations serving 10 of Maryland's local jurisdictions. Three of these agencies are county specific area agencies serving Garrett, Allegany, and Washington counties. Two of these agencies on the Eastern Shore serve multiple counties: Upper Shore Aging, Inc. serves Caroline, Kent, and Talbot counties; MAC, Inc. serves the four Lower Shore counties of Dorchester, Somerset, Wicomico, and Worcester counties.

State Fiscal Effect: State revenues and expenditures would not be affected since this bill only alters the distribution of existing federal funds. The Department of Aging receives \$16.0 million in federal funding from the Older Americans Act. Chapter 430 of 2004

directed the Governor to include in the fiscal 2006 State budget an amount not less than \$442,210 to supplement federal grants to local agencies under the Older Americans Act.

The Budget Reconciliation Act of 2005 (SB 127/HB 148) reduces the hold-harmless grants by \$162,725. The new hold harmless grant amount of \$279,485 would be enough to ensure that certain rural counties do not receive less funding in fiscal 2006 due to the new funding formula in HB 1321.

Local Fiscal Effect: Updating the funding formulas for 2000 population estimates resulted in Baltimore City and certain rural counties receiving less federal funding under the Older Americans Act. The new formula established by HB 1321 results in a lower reduction for Baltimore City and certain rural counties. **Exhibit 2** shows the allocations by area agencies on aging in fiscal 2004 through 2006. In fiscal 2004, the allocation was based on the existing funding formula and 1990 census data. In fiscal 2005, the allocation was based on the existing funding formula and 2000 census data. In fiscal 2006 the allocation will be based on the new formula under this bill and 2000 census data. In future years, funds will be allocated in the same amounts as in fiscal 2006 until 2010 census data is available and the allocation is readjusted.

Exhibit 2
Allocation of Federal Funds Under the Older Americans Act

<u>Area Agency</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>HB 1321 FY 2006</u>	<u>Difference FY 2004 - 05</u>	<u>Difference FY 2005 - 06</u>
Allegany	\$433,033	\$335,286	\$351,941	-\$97,747	\$16,655
Anne Arundel	969,815	1,063,994	1,015,801	94,179	-48,193
Baltimore City	4,737,024	4,042,482	4,054,774	-694,542	12,292
Baltimore	2,210,175	2,299,568	2,228,076	89,393	-71,492
Calvert	143,011	144,309	162,544	1,298	18,236
Carroll	314,280	313,245	353,642	-1,035	40,396
Cecil	212,765	206,329	235,878	-6,436	29,549
Charles	231,281	257,011	283,583	25,730	26,572
Frederick	387,064	383,405	405,205	-3,659	21,800
Garrett	144,068	144,309	166,602	241	22,293
Harford	440,694	483,566	505,960	42,872	22,394
Howard	324,655	430,313	421,686	105,658	-8,627
Montgomery	1,589,596	2,103,985	1,935,303	514,389	-168,682
Prince George's	1,434,291	1,697,244	1,613,589	262,953	-83,655
Queen Anne's	160,093	144,309	153,409	-15,784	9,101
St. Mary's	202,071	201,552	237,632	-519	36,080
Washington	521,140	474,581	503,439	-46,559	28,858
MAC	1,045,312	825,739	886,178	-219,573	60,439
USA	504,037	453,179	489,163	-50,858	35,984
Total	\$16,004,405	\$16,004,405	\$16,004,405	\$0	\$0

Note: MAC serves Dorchester, Somerset, Wicomico, and Worcester counties.

USA serves Caroline, Kent, and Talbot counties.

Source: Department of Aging

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Aging, Department of Legislative Services

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