

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 763 (Senator Hogan, *et al.*)
 Budget and Taxation

Regional Institutes for Children and Adolescents - Funding

This bill repeals the requirement that local jurisdictions share in the cost of funding educational programs at regional institutes for children and adolescents (RICAs) and provides that State funding for RICAs may not be less than the fiscal 2004 funding levels. In addition, the contract offered to the local school system for educational programming at the Prince George’s County RICA must use the same per pupil costs that are used for the Montgomery County RICA contract. The bill states that it is the intent of the General Assembly that the State funding methodology for RICAs revert to the methodology used in fiscal 2004.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures would increase by \$1.4 million annually beginning in FY 2006 due to the mandated level of State funding established for RICAs. If intent language in the bill is followed, special fund revenues and expenditures for the RICAs would decrease by \$3.7 million annually beginning in FY 2006.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1.4	1.4	1.4	1.4	1.4
Net Effect	(\$1.4)	(\$1.4)	(\$1.4)	(\$1.4)	(\$1.4)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: If intent language in the bill is followed, local school revenues would decrease by an estimated \$397,000 annually and local school expenditures would decrease by \$3.7 million annually.

Small Business Effect: None.

Analysis

Current Law: The State and local governments share in the cost of educating children in RICAs. For each RICA placement, a local government provides an amount equal to twice the average per pupil amount spent in the local school system from local, State, and federal sources, plus the local share of the average per pupil amount. Any additional amount above the local government contribution is shared by the State and the local government, 80% and 20%, respectively.

The Department of Health and Mental Hygiene (DHMH) must offer to contract with the Prince George's County school system for educational services at the RICA located in the county; however, the contract does not have to use the per pupil amount used in the contract for educational services at the Montgomery County RICA.

Background: There are three RICAs in Maryland, located in Baltimore, Cheltenham, and Rockville and operated by the Mental Health Administration within DHMH. RICAs provide children and adolescents with mental health care in residential settings.

Changes to the funding structure of RICAs were made in the Budget Reconciliation and Financing Act (BRFA) of 2004. This bill would revert the funding structure back to the one used prior to fiscal 2005. At that time, the State contracted with Montgomery County Public Schools (MCPS) and Prince George's County Public Schools (PGCPS) for the provision of educational services at the RICAs in the counties. The education program at the Baltimore RICA was provided entirely by the State. Savings for the State through changes made to RICA funding were estimated at \$3.8 million last year.

The proposed fiscal 2006 State budget includes a total \$28.8 million for RICAs, \$22.4 million in general funds and \$6.4 million in special and federal funds. Included in the special funds this year are \$2.0 million in payments from local school systems for educational support services. These costs are not being charged to local school systems in fiscal 2005.

State Fiscal Effect: The bill proposes two different ways of calculating State funding for RICAs. First, the bill mandates that State support for RICAs at least equal the fiscal 2004 funding level. To meet this mandate, general fund expenditures would increase by \$3.9 million annually beginning in fiscal 2006. Second, intent language in the bill proposes a return to the method for funding RICAs that was used in fiscal 2004. This would result

in a general fund increase of \$5.8 million in fiscal 2006, \$1.9 million more than the simple mandate requires.

Offsetting the general fund increases would be a reduction in general fund expenditures for the State share of RICA education funding under the current cost share methodology. The State's share, an estimated \$2.5 million in fiscal 2005, is paid through the nonpublic placements program operated by the Maryland State Department of Education (MSDE).

Mandated Increase in RICA Funding

Mandated general fund expenditures would increase by \$3.9 million in fiscal 2006 due to the requirement that State funding for RICAs return to the fiscal 2004 level. The difference between proposed State general fund support for fiscal 2006 and actual general fund support in fiscal 2004 is shown in **Exhibit 1**. The costs of the MCPS and PGCPs contracts, including the requirement that the same per pupil cost be used in both contracts, and the cost of funding the education program at the Baltimore RICA would presumably be funded with this increase.

Exhibit 1
General Fund Support for RICAs
Fiscal 2004 and 2006

	<u>FY 2004</u>	<u>FY 2006</u>	<u>Difference</u>
RICA-Baltimore	\$9,515,750	\$7,825,818	\$1,689,932
RICA-Montgomery	10,932,831	9,473,212	1,459,619
RICA-Prince George's	<u>5,808,947</u>	<u>5,067,595</u>	<u>741,352</u>
Total	\$26,257,528	\$22,366,625	\$3,890,903

Intent Language Increases in RICA Funding

As an alternative to the mandated minimum funding level, intent language in the bill would require a general fund expenditure increase of approximately \$5.8 million in fiscal 2006, a further increase of \$1.9 million over the mandated amount. This estimate assumes that special fund revenues and expenditures from local school systems would be replaced with general funds and that fiscal 2004 contracts with MCPS and PGCPs would be renewed.

The proposed fiscal 2006 budgets for RICAs include special fund revenues and expenditures of \$3.7 million from local school systems for services that the RICAs previously provided at the State's expense. This amount includes \$2.4 million for the Baltimore RICA, \$825,500 for the Rockville RICA, and \$517,300 for the Cheltenham RICA. The Baltimore RICA amount is higher because it is staffed with State employees, and local school systems must pay the educational costs as well as the educational support costs at the RICA. The education programs at the Rockville and Cheltenham RICAs are provided by MCPS and PGCPs, so the fiscal 2006 State budget only includes local payments for the provision of educational support services at the RICAs.

The State would also have to contract with MCPS and PGCPs to provide education programs at the counties' RICAs as was the arrangement in fiscal 2004. The fiscal 2004 contracts totaled approximately \$2.1 million, \$1.4 million for MCPS and \$658,500 for PGCPs. DHMH advises that these contracts did not change significantly from one year to the next. Assuming the same contracts would be awarded in fiscal 2006, general fund expenditures would increase by \$2.1 million.

Finally, the bill would require the per pupil amount for the PGCPs contract to equal the per pupil amount of the MCPS contract. DHMH advises that, although this language was in statute in fiscal 2004, the per pupil values of the two contracts were not equivalent. To bring the PGCPs contract up to the level required by statute, general funds would increase by an additional \$300,000. This amount is not included in the estimates above. Because the bill only requires the State to return to the way RICAs were funded in fiscal 2004, this cost would not necessarily be incurred.

The Current Cost Sharing Methodology

Any general fund increase would be partially offset by a decrease in the State share under the current RICA cost share methodology. MSDE advises that local school systems are expected to be reimbursed \$2.5 million in fiscal 2005 through the nonpublic placements program for supporting educational costs at the RICAs. If this bill is enacted, general fund expenditures for nonpublic placements would decrease by this amount in fiscal 2006.

Local Fiscal Effect: Assuming the intent language in the bill is followed, MCPS and PGCPs revenues would increase by an estimated \$2.1 million in fiscal 2006 due to contractual arrangements the school systems make with the State for educational services at the Rockville and Cheltenham RICAs. However, the increase would be offset by a \$2.5 million reduction in the nonpublic placement funds that local school systems receive under the present RICA funding structure. The net impact on local school revenues would be a decrease of approximately \$397,000.

Assuming special funds from local school systems are eliminated from the fiscal 2006 budget, local school expenditures would decrease by \$3.7 million. In total, the net impact on local school finances would be a positive \$3.3 million in fiscal 2006. It is expected that this impact would remain relatively stable in future fiscal years.

Additional Information

Prior Introductions: None.

Cross File: HB 1026 (Delegate Proctor, *et al.*) – Ways and Means.

Information Source(s): Maryland State Department of Education, Department of Health and Mental Hygiene, Garrett County, Department of Legislative Services

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