SB 811

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 811 (Senator Currie, *et al.*)

Budget and Taxation Ways and Means

Residential Child Care Capital Grant Program

This bill establishes a Residential Child Care Capital Grant Program under the Governor's Office for Children (OC) to make grants to counties, municipal corporations, and nonprofit organizations for: (1) converting public buildings or parts of public buildings to residential child care programs; (2) acquiring existing buildings or parts of buildings for use as residential child care programs; (3) renovating residential child care programs; (4) purchasing capital equipment for residential child care programs; or (5) planning, designing, and constructing residential child care programs. Beginning in fiscal 2008, the Governor may include an appropriation in the State capital budget for the program. The Board of Public Works (BPW) must allocate the funds and may adopt regulations related to the program.

Fiscal Summary

State Effect: To ensure a viable program, general obligation (GO) bond or general fund PAYGO expenditures could increase by $10 million annually beginning in FY 2008 to support the capital grants. General fund administrative expenditures would increase by an estimated $51,300 in FY 2007. Future year estimates reflect ongoing expenditures, annualization, and inflation in administrative costs.

($ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	$0	$0	$0	$0	$0
GF Expenditure	.1	.1	.1	.1	.1
Other Exp.	0	10.0	10.0	10.0	10.0
Net Effect	($.1)	($10.1)	($10.1)	($10.1)	($10.1)

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

Local Effect: Meaningful for counties and municipal corporations that would apply for and receive a capital grant under this program.

Small Business Effect: Meaningful for small business residential child care programs that would apply for and receive a capital grant under this program.

Analysis

Bill Summary: OC's executive director will receive the capital grant applications. An application must include the project's plans, a statement listing the personnel employed or to be employed, all other operational expenses incurred or to be incurred, and a statement describing how the program will provide services in an underserved geographic area of the State. An applicant may amend the project plan submitted with its application during or after the grant application process if the amendments are intended to meet the changing needs of the residential program or its residents and approved by the executive director. Upon approval of a project and the project plans, the executive director must promptly report the application to BPW with the executive director's recommendation that the board make funds available for the project. OC must adopt regulations related to the program.

This program applies to residential child care programs licensed by the Department of Health and Mental Hygiene (DHMH), the Department of Human Resources (DHR), and the Department of Juvenile Services (DJS).

The amount of the State grant recommended to BPW for any project must be determined after considering all eligible projects, the total unallocated State funds available at the time the grant recommendation is made, and OC's priorities regarding underserved geographic areas. No portion of the proceeds of a State grant may be used to further sectarian religious instruction; in connection with the design, acquisition, or construction of any building to be used as a place of sectarian religious worship or instruction; or in connection with any program or department of divinity for any religious denomination.

Any federal or other grant received for an eligible project first must be applied to the project's cost. A State grant may not exceed 50% of the cost of eligible work remaining unpaid after all federal grants have been applied. Federal community development block grants must be considered local matching funds and not federal grant funds.

The State may recover a proportionate share of the current value of the property equivalent to the State's proportionate share of the total eligible cost of the approved project, together with all costs and reasonable attorney's fees incurred by the State in recovery proceedings, if, within 30 years after completion of a project for which funds have been paid under this program the property:

- is sold or transferred to any person, agency, or organization that would not qualify as an applicant or that BPW does not approve of as a transferee; or

- ceases to be a residential child care program.

Current Law: BPW, upon recommendation of the Secretary of Health and Mental Hygiene, may make grants to qualified applicants for the construction, acquisition, renovation, and equipping of community mental health facilities, addiction facilities, and developmental disabilities facilities. The grants may include the costs of the plans, specifications, site improvements, surveys, and applicable architects' and engineers' fees.

The Juvenile Services Facilities Capital Grant Program under DJS provides grants for providers of residential and nonresidential services to youth for the planning, design, construction, conversion, acquisition, renovation, and equipping of a facility.

A residential child care program includes group homes, alternative living units, and emergency shelter care. A program must be licensed by DHR, DHMH, or DJS. Only one license is necessary for a provider, even if services are provided to children placed in a program from multiple State agencies. A core set of regulations establishes the "single point of entry" application process for residential child care providers and a core set of provider licensing standards. However, each department monitors the facilities they place children in differently.

Background: The fiscal 2007 proposed capital budget includes $7,754,000 for DHMH's Community Health Facilities Grant Program that awards grants to providers of mental health, developmental disabilities, and substance abuse treatment services, which will fund 10 projects in seven jurisdictions. The Capital Improvement Program includes $8 million each year for this grant program from fiscal 2008 through 2011.

The fiscal 2007 proposed capital budget also includes $1,136,000 for the Juvenile Services Facilities Grant Program that awards grants for providers of residential and nonresidential services to youth, which will fund four projects in four jurisdictions. The Capital Improvement Program includes $3.5 million each year for this grant program from fiscal 2008 through 2011.

During the 2005 interim, group home oversight was a topic of several hearings before the Senate Budget and Taxation Committee; the House Health and Government Operations Committee; and the Joint Committee on Children, Youth, and Families. During those hearings, legislators expressed concerns that group home oversight was not sufficient, group homes were concentrated in certain areas of the State, and certain providers were not adequately supervising and caring for the children they serve.

In fiscal 2004, Maryland placed 26,263 children in out-of-home placements at a cost of $622 million. Group homes represent one form of out-of-home placements, with an average of 2,690 children residing in group homes each day at an annual cost of $167 million. Group homes offer home-like settings that provide structure and 24-hour supervision, basic care, social work, and health care services. Many group homes utilize community-based ancillary services and enroll children in the local school system. Depending on the facility and the level of intensity of services, group home placements cost between $34,000 and $119,000 per child annually.

DHR, DHMH, and DJS license, monitor, and place children in group homes according to individual agency standards. DHR licenses and monitors 305 facilities (62%) and places approximately 80% of the children in group homes. DHMH licenses and monitors 167 facilities (34%) but places less than 1% of the children in group homes. DJS licenses 20 facilities (4%) and places approximately 19% of the children in group homes. DJS monitors all facilities in which it places children (124).

To become licensed as a group home, an applicant begins at OC, which serves as a "single point of entry" and refers applicants to the appropriate agency. Licenses are issued for two years and must be obtained for each facility. The licensing agencies monitor group homes by reviewing records, inspecting the facility, and interviewing staff and residents. When a child is placed in a group home, a caseworker from that agency (*e.g.,* the local department of social services caseworker for DHR) is assigned to that child and is responsible for visiting the child regularly to monitor the child's progress and the appropriateness of placement.

The Department of Legislative Services (DLS) conducted a review of licensing, monitoring, and contracting practices relating to group homes in 2005, noting three major observations. First, the State is not a smart purchaser of group home services. Referral practices and provider rates are neither standardized nor guided by performance data. Second, there is insufficient financial oversight of group homes. The rate setting process does not include a review of audits or actual spending patterns, licensing agencies do not compare budgets submitted by providers to actual spending patterns, and group homes are not required to spend a minimum amount of funding on direct care. Finally, the licensing and monitoring process is disjointed. There is no single agency guiding the system, and there are inconsistent practices and a lack of communication among agencies. There is no single point of entry for complaints about group homes, and, particularly for DHR, there is tension between the dual roles of enforcing licensing standards and maintaining adequate placement capacity. The licensing and monitoring agencies have also found it difficult to perform the requisite number of inspections due to an insufficient number of staff.

State Expenditures: General fund expenditures for OC could increase by an estimated $51,338 in fiscal 2007, which accounts for the bill's October 1, 2006 effective date. This estimate reflects the cost of hiring an administrator to review the grant applications, make recommendations to OC's executive director, and monitor grantees. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	$44,905
Operating Expenses	6,433
Total FY 2007 State Expenditures	**$51,338**

Future year administrative expenditures for OC reflect: (1) a full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Although the bill does not specify a funding level, OC advises it would require at least $10 million a year to provide capital grants based on existing need. Accordingly, beginning in fiscal 2008, it is assumed that the program would be sufficiently funded and that the Governor would include $10 million in the capital budget and OC would subsequently award $10 million in grants per year. The bill does not specify how State funding must be provided, but because the program is for capital projects, it is assumed that State GO bonds would be issued to make the required appropriation. It is also assumed that the GO bonds would be within the State's capital debt affordability limit and would not increase debt service costs further. The current five-year capital program does not include planned funding for a Residential Child Care Capital Grant Program. However, it does include funds under DHMH and DJS for similar capital projects. If the bonds to fund the OC residential child care projects are outside the debt affordability limit, debt service costs will increase by an estimated $996,256 in fiscal 2009. The program could also be funded with PAYGO funds in the operating budget. If so, this would relieve the pressure on the GO program, which is capped by an established annual debt limit.

OC states that administering the grant program would increase general fund expenditures by $515,669 in fiscal 2007 to hire one assistant Attorney General, one legal assistant, one grant administrator, one grant monitor, two support staff, one fiscal monitor, and one fiscal specialist. DLS disagrees. DLS advises that one DHMH administrator monitors four different bond programs. DLS believes that OC would only need to hire one administrator to implement the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 1473 (Delegates Marriott and Jones) – Ways and Means.

Information Source(s): Department of Juvenile Services, Department of Human Resources, Judiciary (Administrative Office of the Courts), Board of Public Works, Governor's Office for Children, Maryland State Department of Education, Department of Health and Mental Hygiene, Department of Legislative Services

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