

**Department of Legislative Services**  
 Maryland General Assembly  
 2006 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1604 (Chair, Health and Government Operations Committee)  
 (By Request – Departmental – Health and Mental Hygiene)

Health and Government Operations

Finance

**Maryland Health Care Commission and Health Services Cost Review  
 Commission - Administrative Costs**

This departmental bill permits the Department of Health and Mental Hygiene (DHMH) to assess an administrative charge on the Maryland Health Care Commission (MHCC) and the Health Services Cost Review Commission (HSCRC) for costs or services provided to the commissions by the Executive Branch. This charge cannot exceed 18% of commission salaries and must be based on the indirect costs or services benefiting the commissions, less overhead costs paid directly by the commissions.

The bill takes effect July 1, 2006.

**Fiscal Summary**

**State Effect:** DHMH general fund expenditures would decrease by \$1.2 million in FY 2007 only. DHMH special fund expenditures increase by \$1.2 million in FY 2007 only. The FY 2007 budget includes a \$1.2 million general fund expenditure reduction contingent upon enactment of this bill.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(1.2)	0	0	0	0
SF Expenditure	1.2	0	0	0	0
Net Effect	\$0	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** DHMH has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Current Law:** For each of fiscal 2005 and 2006, the total fees assessed by MHCC may not exceed \$11.2 million. For fiscal 2007 and each year thereafter, the total fees may not exceed \$10 million. The fees assessed by MHCC must be used exclusively to cover the actual documented direct costs of fulfilling MHCC's statutory and regulatory duties. For each of fiscal 2005 and 2006, MHCC costs include the administrative costs incurred by DHMH on behalf of MHCC. The amount to be paid by MHCC to DHMH for administrative costs is calculated in the same manner as indirect costs for federal grants, less overhead costs paid directly by MHCC.

For each of fiscal 2005 and 2006, the total user fees assessed by HSCRC may not exceed \$4.5 million. For fiscal 2007 and each year thereafter, the total fees assessed may not exceed \$4 million. For each of fiscal 2005 and 2006, DHMH may assess an administrative charge consistent with the indirect costs charge assessed to federal grants, to fund services provided to HSCRC by the Executive Branch.

**Background:** MHCC's fiscal 2007 budget is \$9.67 million, and HSCRC's is \$4.05 million. MHCC's budget is about 97% of its cap and HSCRC's exceeds the cap, requiring HSCRC to draw on its fund balance. MHCC's fund balance is about \$2.0 million; HSCRC's fund balance is \$755,000.

The Budget Reconciliation and Financing Acts of 2004 and 2005 (Chapter 430 of 2004 and Chapter 444 of 2005) both authorized DHMH to charge the commissions for indirect costs and increased the user fee caps for fiscal 2005 and 2006 only. The fiscal 2007 budget contains a \$1.2 million general fund reduction contingent on the enactment of this bill authorizing administrative charges to the commissions. The general funds would have been used to provide shared services to the commissions, such as general accounting and budget management. DHMH has previously assessed administrative charges to the commissions at a rate of 32% of base salary levels; however, this bill authorizes DHMH to charge the commissions at a rate of 18% of base salary levels, moderating the extent of user fee increases. The proposed administrative charges for fiscal 2007 are \$780,000 for MHCC and \$405,000 for HSCRC.

**State Fiscal Effect:** DHMH general fund expenditures would decrease by \$1,185,000 in fiscal 2007 only. Further, MHCC and HSCRC special fund expenditures would each

increase by the same amount in fiscal 2007. It is assumed the commissions would draw down their fund balances to pay the administrative charges.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Maryland Health Care Commission, Health Services Cost Review Commission), Department of Legislative Services

**Fiscal Note History:** First Reader - March 14, 2006  
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