

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

Senate Bill 976 (Senators Klausmeier and Smith)  
 Budget and Taxation

Local Health Services Funding - Modifications

This bill requires that the local Core Public Health Services funding formula, beginning in fiscal 2020, be adjusted for inflation as measured by the Consumer Price Index for All Urban Consumers (CPI-U) for *Medical Care for the Washington-Baltimore Region* rather than by CPI-U. The bill retains the current law requirement to also adjust for population growth, as measured by specified growth in the total population in the State. **The bill takes effect July 1, 2018.**

Fiscal Summary

**State Effect:** General fund expenditures increase by at least \$302,300 in FY 2020, increasing to almost \$2.3 million by FY 2023, as discussed below. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2020.**

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	302,300	982,100	1,496,900	2,268,600
Net Effect	\$0	(\$302,300)	(\$982,100)	(\$1,496,900)	(\$2,268,600)

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

**Local Effect:** Revenues and expenditures for local health departments (LHDs) increase, consistent with the increase in State general fund expenditures. Although local jurisdictions are required to match this funding, most already provide more than required.

**Small Business Effect:** Minimal.

## Analysis

**Current Law/Background:** The State operating budget provides mandated funding to LHDs based on a Core Public Health Services funding formula. This formula requires the State budget to include funding for local health services that, for fiscal 2019 and each subsequent fiscal year, equals the amount of funding for the preceding fiscal year adjusted for (1) inflation, as measured by CPI-U, for the second preceding fiscal year, calculated by the U.S. Department of Commerce and (2) population growth, as measured by the growth in the total population in the State for the second preceding fiscal year, according to the most recent statistics available through the Maryland Department of Health.

Historically, the CPI-U for medical care has been higher than CPI-U. For fiscal 2010 through fiscal 2017, the average percent change for the CPI-U for medical care for the United States was 3.2%, and the percent change for CPI-U for the United States was 1.7%. Regionally, the CPI-U for medical care has been even higher. The fiscal 2010 through 2017 average percent change for the CPI-U for Medical Care for the Washington-Baltimore Region was 3.7%.

State funding for local Core Public Health Services has been subject to numerous cost containment actions in recent years. The Budget Reconciliation and Financing Act of 2014 clarified the formula by specifying that inflationary adjustments are made to the amount of funding for the preceding year beginning in fiscal 2015. Subsequent budget reconciliation and financing legislation has taken various cost containment actions affecting the formula. The Budget Reconciliation and Financing Act of 2018 includes a provision to reduce Core Public Health Services funding by \$890,794 in fiscal 2019. The Governor's proposed fiscal 2019 budget includes \$50,379,267 for Core Public Health Services; \$890,794 is subject to reduction, contingent on legislation eliminating the mandated increase to the formula.

**State Expenditures:** General fund expenditures increase by at least \$302,276 in fiscal 2020, increasing to \$2,268,562 in fiscal 2023, from the change in the mandated inflation adjustment to the Core Public Health Services formula, as shown in **Exhibit 1**. The information and assumptions used to develop this estimate are stated below.

- As there is no forecasting available for the CPI-U for Medical Care for the Washington-Baltimore Region, the estimate is based on Moody's forecast for the CPI-U for medical care for the United States.
- Since the regional CPI-U for medical care is historically higher than the national CPI-U for medical care, general fund expenditures are likely higher than those reflected in Exhibit 1.

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**Exhibit 1**  
**Increase in General Fund Expenditures for Core Public Health Services Formula**  
**Funding Under the Bill**  
**Fiscal 2020-2023**

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<b>Current Law Formula Funding</b>	\$51,386,853	\$52,722,911	\$54,410,044	\$56,042,345
% Change	2.0%	2.6%	3.2%	3.0%
<b>Bill Formula Funding</b>	\$51,689,129	\$53,705,005	\$55,906,910	\$58,310,907
% Change	2.6%	3.9%	4.1%	4.3%
<b>Increase in General Fund Expenditures</b>	<b>\$302,276</b>	<b>\$982,094</b>	<b>\$1,496,866</b>	<b>\$2,268,562</b>

Source: Department of Legislative Services

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**Local Fiscal Effect:** Local revenues and expenditures increase by a corresponding amount. In addition, matching funds are required from each local jurisdiction according to each jurisdiction’s revenue-raising ability. The Department of Legislative Services notes that most LHDs currently overmatch for these funds; thus, there is likely no immediate increase in local expenditures for the required match.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1620 (Delegate Bromwell, *et al.*) - Appropriations.

**Information Source(s):** Maryland Association of County Health Officers; Maryland Association of Counties; Maryland Department of Health; Department of Legislative Services

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