

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1043

(Delegate Rosenberg)

Appropriations

Local Health Services – Funding and Infrastructure

This bill establishes a new base level of State funding for the Core Public Health Services (CPHS) formula of \$67.0 million in fiscal 2023. Beginning in fiscal 2024, the appropriation must increase by the percentage by which the projected total general fund revenues for the upcoming fiscal year exceed the revised estimate of total general fund revenues for the current fiscal year, as specified. The Maryland Department of Health (MDH), in consultation with the State-designated health information exchange, must develop a plan to provide local health departments (LHDs) with uniform software necessary for interconnectivity between LHDs, MDH, and other State agencies and submit the plan by December 1, 2021, to the Governor and the General Assembly. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: No effect in FY 2021 or 2022 as MDH can develop and submit the required plan with existing budgeted resources. General fund expenditures increase by \$3.9 million in FY 2023, escalating to \$6.0 million by FY 2026, as discussed below. Revenues are not affected. **This bill increases a mandated appropriation beginning in FY 2023.**

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	3,900,600	4,683,700	5,306,900	6,032,400
Net Effect	\$0	(\$3,900,600)	(\$4,683,700)	(\$5,306,900)	(\$6,032,400)

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

Local Effect: Revenues and expenditures for 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: The State operating budget provides mandated funding to LHDs based on the CPHS funding formula. The formula requires that the State budget include funding that, beginning fiscal 2019 and each subsequent fiscal year, equals the amount of funding for the preceding fiscal year adjusted for (1) inflation, as measured by the Consumer Price Index (All Urban Consumers) (CPI-U), on June 30 of the second preceding fiscal year, calculated by the Bureau of Labor Statistics of the U.S. Department of Labor and (2) population growth, as measured by the growth in the total population in the State on June 30 of the second preceding fiscal year, according to the most recent statistics available through the U.S. Department of Commerce.

State Expenditures: General fund expenditures increase by \$3.9 million in fiscal 2023, increasing to \$6.0 million in fiscal 2026, to provide increased funding for the CPHS formula as shown in **Exhibit 1**.

Exhibit 1

Increase in General Fund Expenditures for Core Public Health Services Formula Fiscal 2023-2026

<u>Formula Funding</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Under Current Law	\$63,099,386	\$64,929,268	\$66,812,217	\$68,682,959
% Change	2.1%	2.9%	2.9%	2.8%
Under the Bill	\$67,000,000	\$69,613,000	\$72,119,068	\$74,715,354
% Change	8.4%	3.9%	3.6%	3.6%
Increase in Expenditures	\$3,900,614	\$4,683,732	\$5,306,851	\$6,032,395

Source: Department of Legislative Services

The information and assumptions used to develop the estimate are stated below:

- The projected CPI-U used in the calculation of the formula under current law is projected to be the following: for fiscal 2023, 1.6%; for fiscal 2024 and 2025, 2.4%; and for fiscal 2026, 2.3% (based on projections from Moody's Analytics and HIS Markit).
- Population growth used in the calculation of the formula under current law is estimated to be 0.5% annually.

- The projected increase in general fund revenues from the Board of Revenue Estimates' December 2020 report is as follows: for fiscal 2024, 3.9%; and for fiscal 2025 and 2026, 3.6%.
- Funding for the CPHS formula is specified at \$61,801,553 in the Governor's proposed fiscal 2022 budget.

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.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Association of County Health Officers; Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

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