

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 743 (Delegate Bagnall)
 Health and Government Operations

Public Health - Health Care Quality Fund for Community-Based Behavioral Health Programs - Establishment

This bill establishes the Health Care Quality Fund for Community-Based Behavioral Health Programs in the Maryland Department of Health (MDH). The fund may only be used to provide funding for training, grant awards, demonstration projects, or other purposes designed to improve the quality of behavioral health care in the State. The special fund consists of (1) civil money penalties collected from behavioral health programs by the Behavioral Health Administration (BHA) or the Office of Health Care Quality (OHCQ); (2) money appropriated in the State budget; (3) interest earnings; and (4) any other money accepted for the benefit of the fund. Expenditures from the fund may only be made in accordance with the State budget and are supplemental to funding that would otherwise be appropriated to BHA or OHCQ. MDH must adopt regulations for the distribution of funds from the new fund.

Fiscal Summary

State Effect: General fund revenues decrease and MDH special fund revenues and expenditures increase by an indeterminate amount beginning in FY 2026, as discussed below. MDH general fund expenditures increase by \$90,800 in FY 2026 for personnel to manage the fund. Out-years reflect annualization and ongoing costs.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	(-)	(-)	(-)	(-)	(-)
SF Revenue	-	-	-	-	-
GF Expenditure	\$90,800	\$108,400	\$113,200	\$118,200	\$123,300
SF Expenditure	-	-	-	-	-
Net Effect	(\$90,800)	(\$108,400)	(\$113,200)	(\$118,200)	(\$123,300)

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

Local Effect: To the extent that local governments and/or local health departments receive grants or other money from the fund, local revenues and expenditures increase accordingly.

Small Business Effect: Potential minimal.

Analysis

Current Law:

Behavioral Health Administration

Chapter 460 of 2014 merged MDH's Alcohol and Drug Abuse Administration and Mental Hygiene Administration to establish BHA. BHA is headed by a director appointed by, and subject to the authority of, the Secretary of Health.

Violating BHA policies and regulations may be subject to fines or civil penalties. MDH is in the process of adopting regulations under COMAR 10.08.63.01 – .05 to assess civil penalties for violations of community behavioral health regulations. Violations include notification of material deficiency by a certain date (up to \$500 per day or \$15,000 in one month until compliance), and operation of a site or service without a license (\$1,000 per day per site), among others. There are also regulations for appealing a civil money penalty.

Office of Health Care Quality

OHCQ is responsible for the inspection of facilities for which a license is sought and periodically after a license has been issued, including hospitals, related institutions, and residential treatment centers. MDH submits an annual report to the General Assembly regarding the inspections conducted during the immediately preceding year.

Related Funds and Accounts

Two existing accounts in MDH are funded by civil money penalties and other penalties assessed by OHCQ. The Health Care Quality Account is funded by penalties paid by nursing homes, while the Health Care Quality Account for Assisted Living Programs is funded by penalties paid by assisted living programs. Both accounts must be used for training, grant awards, demonstration projects, or other purposes designed to improve the quality of care.

State Revenues:

Maryland Department of Health Special Funds

MDH special fund revenues increase by an indeterminate amount beginning in fiscal 2026 from any civil money penalties assessed by BHA or OHCQ on behavioral health programs. The amount of such penalties cannot be reliably estimated at this time. Although not precluded, this analysis does not assume any capitalization of the special fund using general funds.

General Fund Impact

Absent the bill, the civil money penalty revenues would otherwise accrue to the general fund. Accordingly, even though a reliable estimate of the amount cannot be made, general fund revenues decrease beginning in fiscal 2026. Also, although the bill indicates that interest earnings of the new special fund remain in the fund, the bill does not amend Section 8 of Chapter 717 of 2024 (the Budget Reconciliation and Financing Act of 2024) which requires, notwithstanding any other provision of law, that interest earnings from special funds (with certain exceptions) accrue to the general fund from fiscal 2024 through 2028. Thus, the general fund revenue reduction noted above is offset minimally as interest earnings of the new special fund accrue to the general fund through fiscal 2028. The fund is exempted from a similar requirement under Section 6-226(a)(2) of the State Finance and Procurement Article that applies from fiscal 2029 forward.

State Expenditures: MDH advises that it would need to hire three full time employees to implement the bill. These staff include one accountant to track revenue and expenditures, one grants' specialist to coordinate and track grant awards, and one program manager to manage the civil penalties program at a total cost of \$238,874 in fiscal 2026, increasing to \$321,479 by fiscal 2030. The Department of Legislative Services (DLS) disagrees as the fund is likely to be comprised primarily of civil penalties that are already proposed to be collected. Assuming the general compliance of behavioral health programs, the balance in the special fund is likely modest and could be managed by one individual.

As the special fund can only be used for purposes designed to improve the quality of behavioral health care in the State, general funds must be used for administrative expenses. Thus, MDH general fund expenditures increase by \$90,756 in fiscal 2026, which accounts for the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring one program manager to track revenues, expenditures, and grant awards. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$83,387
Operating Expenses	<u>7,369</u>
Total FY 2026 General Fund Expenditures	\$90,756

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

To the extent that additional funds are provided to the special fund and special fund revenues increase significantly, additional personnel may be required to administer the fund (and general fund expenditures in turn increase for these costs).

MDH special fund expenditures increase by an indeterminate amount beginning in fiscal 2026 to provide funding for training, grant awards, demonstration projects, or other purposes designed to improve the quality of behavioral health care in the State. The amount of such expenditures is dependent on special fund revenues to the fund and cannot be reliably estimated at this time.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 592 (Senator Augustine) - Finance and Budget and Taxation.

Information Source(s): Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2025
km/jc

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