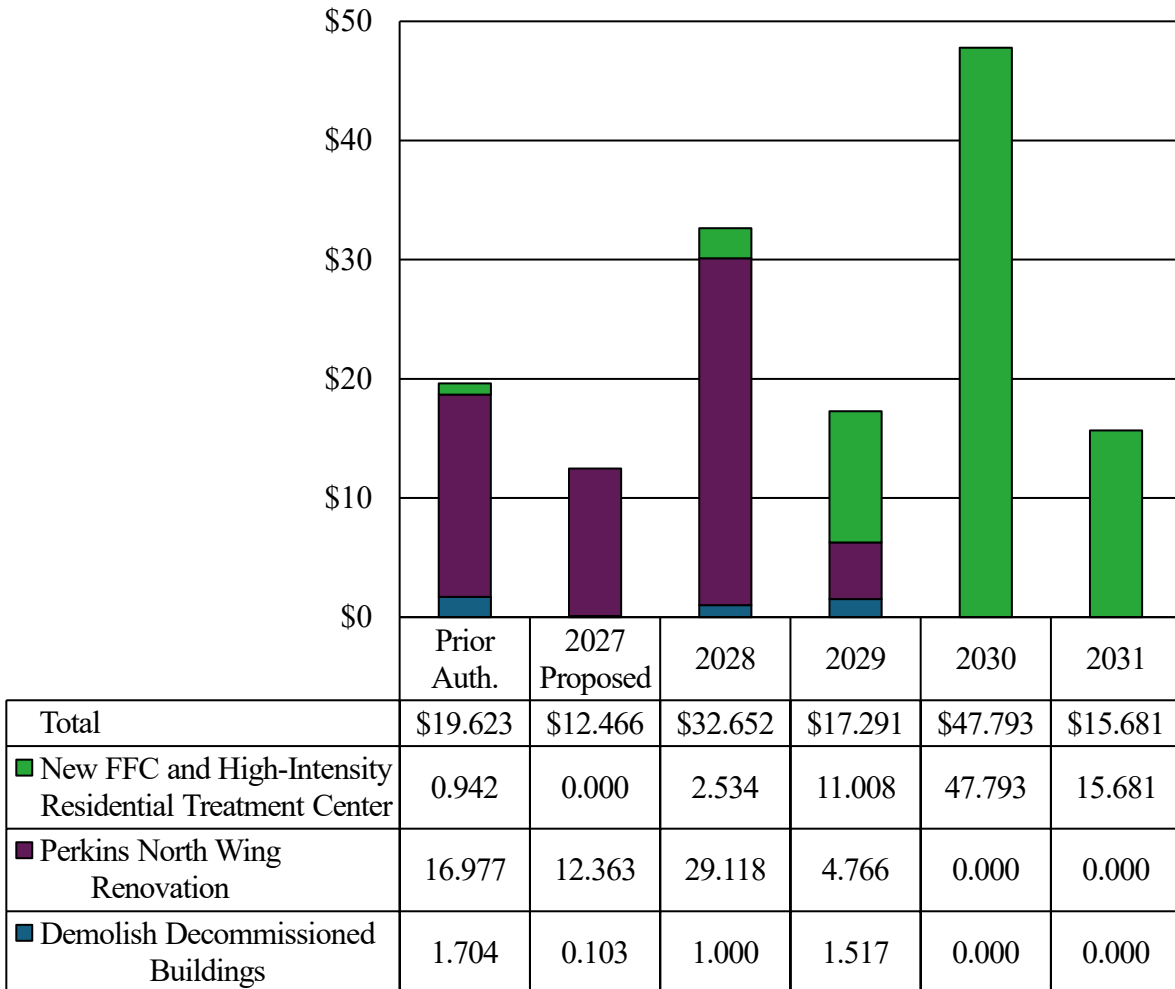


M00*
Maryland Department of Health – Capital

Capital Budget Summary

The Maryland Department of Health (MDH) capital budget includes funding to maintain and improve the 11 State inpatient facilities and hospital centers that make up the MDH healthcare system and offset capital expenses of local health care providers through two different grant programs. The MDH healthcare system serves approximately 1,100 patients. Budgetary and policy information related to MDH healthcare system operations is included in the operating analysis for M00A01 – MDH – Administration.

State-owned *Capital Improvement Program* – Uses
(\$ in Millions)

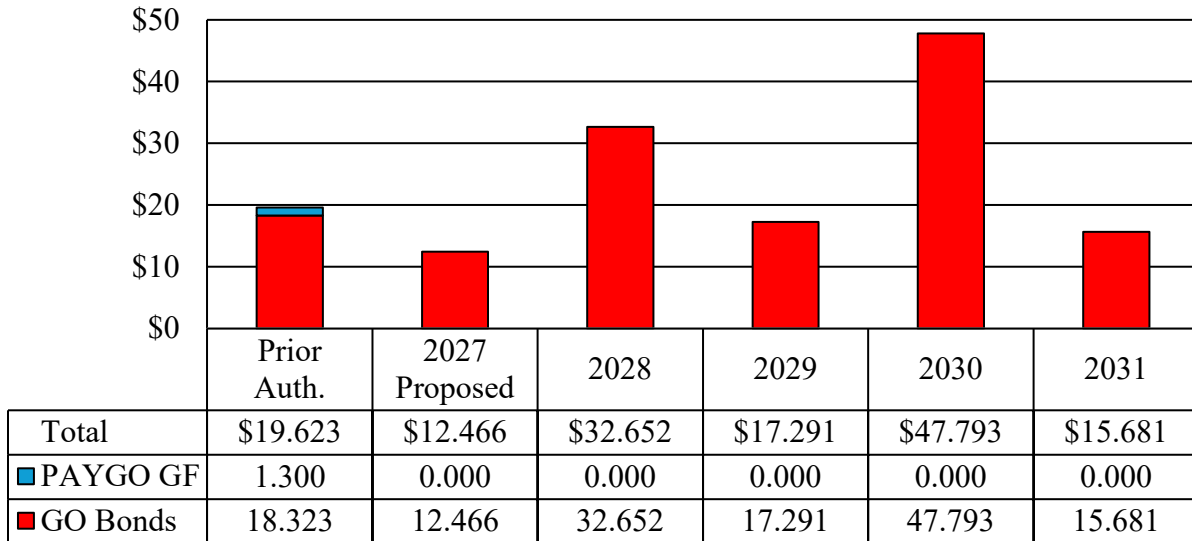


FFC: Facility for Children

For further information contact: Naomi Komuro

naomi.komuro@mga.maryland.gov

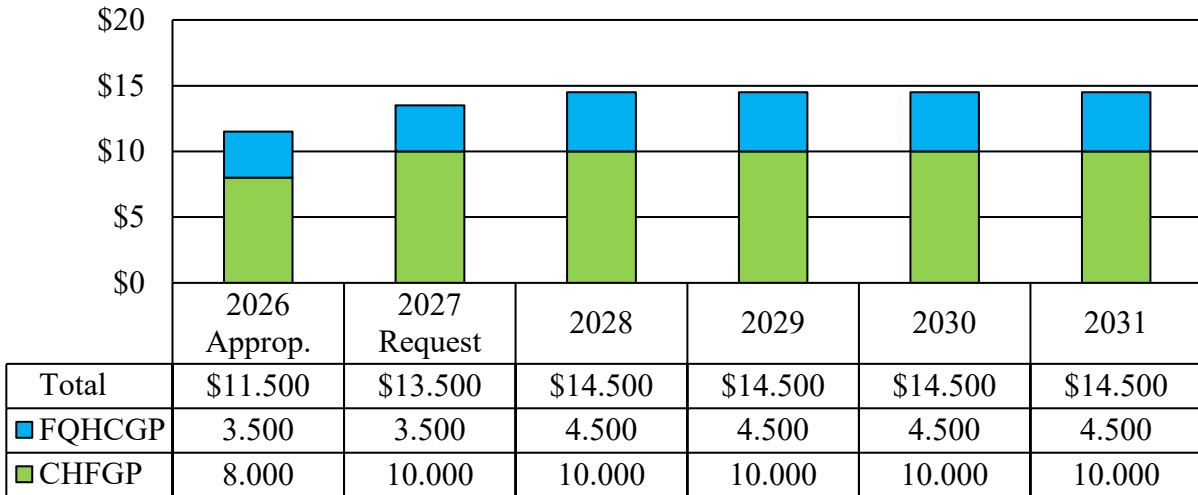
**State-owned Capital Improvement Program – Sources
(\$ in Millions)**



GF: general funds
GO: general obligation

PAYGO: pay-as-you-go

**Grant and Loan Capital Improvement Program
(\$ in Millions)**



CHFPG: Community Health Facility Grant Program
FQHCGP: Federally Qualified Health Center Grant Program

Note: The Maryland Department of Health Capital Grant Program is funded entirely with general obligation bonds.

Key Observations

- ***Facility for Children and High-Intensity Residential Treatment Center Delayed to Fiscal 2028:*** MDH is constructing a new facility to accommodate youth in the Facility for Children (FFC) program and the High-Intensity Residential Treatment Center (HRTC) program at the Regional Institution for Children and Adolescents (RICA) in Baltimore City (RICA – Baltimore). The fiscal 2026 capital budget included \$942,000 to begin design for the project, but the fiscal 2027 capital budget does not include any funding. The project is discussed in more detail in the out-year projects section of this document.

GO Bond Recommended Actions

1. Approve all general obligation bond authorizations and preauthorizations for the Maryland Department of Health.

Updates

- ***Clifton T. Perkins Hospital Center (Perkins) HVAC System:*** Following a heating system failure in November 2023, MDH secured a contractor to address the boiler issues through an emergency procurement request, which the Board of Public Works authorized in January 2024. The fiscal 2026 operating budget supports the emergency equipment replacement and maintenance fees, as these expenditures are not eligible for capital funding. MDH modified the emergency contract multiple times through calendar 2024, resulting in a total emergency contract of \$21.3 million in operating costs and a contract extension of 18 months to March 30, 2026. The project received \$23.1 million in capital funding in prior years, \$10.4 million of which was available through the Department of General Services (DGS) Facility Renewal Fund. The capital project replaces the nonoperational boiler and related parts with a permanent system. MDH indicated that the project is 59% complete and anticipates that it will be completed in August 2026. MDH indicates that it is working with DGS to extend the emergency contract through August 2026.

Summary of Fiscal 2027 Funded State-owned Projects

Demolish Decommissioned Buildings

Project Summary: This project identifies and demolishes decommissioned vacant buildings at MDH facilities that are deemed unsuitable for restoration or renovation due to fiscal, operational,

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and health safety concerns. The 2026 *Capital Improvement Program* (CIP) includes the demolition of two dormitory buildings at Perkins and a dormitory at RICA – Baltimore. Currently there are no additional buildings planned for future demolition. The project includes abatement of asbestos and hazardous materials at both sites to restore them for the construction of new facilities as recommended by the Facilities Master Plan (FMP). The fiscal 2027 capital budget includes \$103,000 for planning.

New/Ongoing: Ongoing	
Start Date: June 2024	Est. Completion Date: April 2029

Fund Sources:								
(\$ in Millions)	Prior Auth.	2027	2028	2029	2030	2031	Beyond CIP	Total
GO Bonds	\$0.404	\$0.103	\$1.000	\$1.517	\$0.000	\$0.000	\$0.000	\$3.024
GF	1.300	0.000	0.000	0.000	0.000	0.000	0.000	1.300
Total	\$1.704	\$0.103	\$1.000	\$1.517	\$0.000	\$0.000	\$0.000	\$4.324

Fund Uses:								
(\$ in Millions)	Prior Auth.	2027	2028	2029	2030	2031	Beyond CIP	Total
Planning	\$0.495	\$0.103	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.598
Construction	1.209	0.000	1.000	1.517	0.000	0.000	0.000	3.726
Total	\$1.704	\$0.103	\$1.000	\$1.517	\$0.000	\$0.000	\$0.000	\$4.324

- **Need:** The dormitories at Perkins were built in 1959 and closed in 2005. The RICA – Baltimore dormitories have been vacant since 1995 and cannot accommodate a modern HVAC system, nor allow for Americans with Disabilities Act compliance. Buildings at both sites are in poor condition and contain asbestos and lead paint. MDH indicates that the cost of the renovation required to reach building conditions appropriate for operations and in compliance with State code would exceed the buildings’ value.
- **Project Status and Schedule:** MDH delayed the project in fiscal 2026 due to a revised project plan. The fiscal 2027 capital budget bill includes \$103,000 to complete the design for the demolition at RICA – Baltimore. The design phase was extended by 4 months due to unforeseen complexities in the project, and the design start date was delayed by 13 months to May 2026 due to the anticipated amount of time for procurement. As a result, construction on the RICA – Baltimore dormitory is delayed by 20 months and scheduled to begin in April 2028.

Design for the demolition of the dormitories at Perkins was delayed by 11 months and was completed in November 2025. The construction phase for this portion of the project is scheduled to begin in August 2026, reflecting a 14-month delay due to a delay in the design process. Prior authorized funds are expected to be sufficient to complete construction.

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- **Changes:** The fiscal 2027 request is \$1.7 million lower than the original plan for fiscal 2027 due to a 20-month delay to the start of construction of RICA – Baltimore. As a result, the CIP defers construction funding for the RICA – Baltimore dormitories to fiscal 2028.
- **Concerns:** Demolitions at Perkins and RICA – Baltimore have been delayed by more than one year. Demolition of the dormitories at RICA – Baltimore is necessary to begin construction of the new FFC and HRTC. Additional delays could further delay the construction of these urgently needed facilities.

Clifton T. Perkins North Wing Renovation

Project Summary: This project renovates the 80-bed North Wing at Perkins in Jessup to a maximum-security level and constructs a new food service center and admissions area in the maximum-security wing. The renovation will reduce the number of beds from 80 to 68 but will increase MDH’s capacity to serve individuals requiring maximum-security level placement. In addition, MDH indicates that planned increases in bed capacity across other MDH healthcare system buildings will surpass the decrease, resulting in net capacity growth systemwide. MDH paused this project in fiscal 2026 to address the emergency HVAC issue.

New/Ongoing: Ongoing	
Start Date: September 2021	Est. Completion Date: September 2028

Fund Sources:								
(\$ in Millions)	Prior Auth.	2027	2028	2029	2030	2031	Beyond CIP	Total
GO Bonds	\$16.977	\$12.363	\$29.118	\$4.766	\$0.000	\$0.000	\$0.000	\$63.224
Total	\$16.977	\$12.363	\$29.118	\$4.766	\$0.000	\$0.000	\$0.000	\$63.224

Fund Uses:								
(\$ in Millions)	Prior Auth.	2027	2028	2029	2030	2031	Beyond CIP	Total
Planning	\$5.112	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$5.112
Construction	11.865	11.963	28.593	4.766	0.000	0.000	0.000	57.187
Equipment	0.000	0.400	0.525	0.000	0.000	0.000	0.000	0.925
Total	\$16.977	\$12.363	\$29.118	\$4.766	\$0.000	\$0.000	\$0.000	\$63.224

- **Need:** Each of Maryland’s five adult psychiatric hospital facilities operates at 94% capacity or higher. The number of court orders MDH received from Maryland Judiciary increased by nearly 67% between fiscal 2021 and 2025. Due to the volume of commitments and limited bed space in facilities, in fiscal 2025, MDH failed to place any patients within

the statutorily required 10-day timeline. Perkins is the State’s only maximum-security facility. The new unit will help expand MDH’s capacity to accept forensic patients who require a maximum-security environment and ensure the safety of patients and staff.

- **Project Status and Schedule:** The project was paused in fiscal 2026 due to the emergency HVAC replacement project. The fiscal 2027 capital budget bill includes \$12.4 million for construction (\$12.0 million) and equipping (\$400,000) of the facility. Construction is scheduled to begin in September 2026, which aligns with the completion of the emergency HVAC project. The fiscal 2027 capital budget bill includes preauthorizations of \$28.6 million in fiscal 2028 and \$4.8 million in fiscal 2029.
- **Changes:** Fiscal 2027 funding is \$15.2 million less than had been planned in last year’s CIP due to the revised schedule. The project is estimated to be completed by September 2028, a few months later than estimated in last year’s CIP. In addition, the total project cost increased by about \$2.2 million (4%).
- **Concerns:** This project first received funding in the fiscal 2019 capital budget bill (\$375,000), at which point the 2018 CIP estimated a project end date in fiscal 2022. Since then, the project has experienced multiple years of delays, and total project costs have increased by more than \$23 million. The Department of Legislative Services cautions that additional project delays could result in higher costs.

In addition, during the construction, MDH will need to relocate up to 40 Perkins patients. MDH indicated that they are expanding bed capacity at Springfield Hospital to relocate 22 minimum-level security Perkins patients and will move the remaining Perkins patients to other MDH facilities, as space allows. The expansion at Springfield is possible due to renovations of one building and one unit of another building on the campus, which will increase capacity by 40 beds. MDH indicates that the renovations are in progress and will be completed in advance of the need for patient relocation from Perkins. **MDH should clarify what month and year these renovations will be completed and if there is funding in the State budget for the expansion. MDH should also specify which other facilities will be utilized to temporarily house Perkins patients, given that each facility operates at capacity.**

Summary of Out-year State-owned Projects

- **FFC:** This project will provide a 48-bed unit for participants in the FFC program and the HRTC program on the RICA – Baltimore campus. The FFC program supports children and adolescents who have been court-ordered to complete a competency evaluation and to seek treatment at an appropriate MDH facility. The HRTC program serves youth in need of longer-term treatment than typical residential treatment programs. Although in fiscal 2024, MDH completed the renovation of a building at John L. Gildner RICA to include

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18 inpatient beds for FFC and HRTC program participants, growth among the FFC and HRTC populations is outpacing MDH capacity. Service demand at RICA – Baltimore is increasing, and more space is required to provide sufficient educational spaces for all program participants. The new facility at RICA – Baltimore will increase capacity by 48 beds for patients in both the FFC and HRTC programs. In addition, the facility will include a school, infirmary, dining space, recreation areas, and administrative spaces.

MDH accelerated the FFC and HRTC project from Phase II (fiscal 2027 to 2031) to Phase I (fiscal 2022 to 2026) of the FMP due to the need for additional FFC and HRTC beds. The fiscal 2026 capital budget included \$942,000 for planning. The CIP does not include funding in fiscal 2027 in order to align the project schedule with completion of the dormitory demolition at RICA – Baltimore, which has been delayed. MDH anticipates procurement to begin in fiscal 2027 using prior authorized funding. The CIP programs \$2.5 million in additional planning funds in fiscal 2028, with construction and equipment funding planned for fiscal 2029 to 2031. The total project cost is estimated at \$78.0 million (a 3% increase compared to last year's CIP).

Budget Overview of Grant and Loan Programs

MDH operates two capital grant programs, the Community Health Facility (CHF) Grant Program and the Federally Qualified Health Centers (FQHC) Grant Program. The fiscal 2027 capital budget includes \$13.5 million for 16 grants across both programs. These clinics support their operations in part through billing the Centers for Medicaid and Medicare Services (CMS) for eligible services. Despite changes to federal health spending over the last year, there have not been substantive changes affecting either of these programs to date. In January 2026, CMS issued updated regulations related to cost reporting and billing. MDH does not anticipate changes to the administration of FQHCs. New eligibility requirements for Medicaid may result in a lower share of Medicaid clients and a higher proportion of uninsured or underinsured individuals seeking care at these health facilities.

Community Health Facilities Grant Program

The CHF grant program provides capital grants to nonprofit organizations for the acquisition, design, construction, renovation, and equipping of facilities that provide treatment and supportive services for mental health, developmental disabilities, and substance use disorder. The program expands the capacity of private residential facilities within communities, contributing to minimizing the number of patients in State-owned facilities or hospitals. MDH prioritizes funding projects that support the department's goal of increasing the availability of affordable, accessible housing for individuals with mental health, substance-related, or co-occurring disorders. The State may fund up to 90% of eligible capital costs for each project.

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The fiscal 2027 budget includes \$10 million in general obligation bond funds for 11 CHF grants. The \$10 million funding level is consistent with the level planned in last year’s CIP and represents an increase of \$2 million from fiscal 2026. However, last year’s CIP programmed \$11 million annually for the program beginning in fiscal 2028, while this year’s CIP programs level funding of \$10 million in the out-years. **Exhibit 1** shows the projects proposed for the CHF grant program in fiscal 2027, none of which anticipate needing future State funding. Two of the projects in the fiscal 2027 request received prior State funding in fiscal 2026.

Exhibit 1
Fiscal 2027 Community Health Facility Grant Program Projects
(\$ in Millions)

<u>Project and Description</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>Fiscal 2027</u>	<u>Future Request</u>	<u>State Share</u>
<p>Friends Aware, Inc. – Supportive Housing Acquisition (Allegany) Acquisition and construction of a group home in Cumberland to provide residential support for individuals with developmental disabilities. The building will be 2,330 SF and house four individuals.</p>	\$0.431	\$0.00	\$0.323	\$0.00	75%
<p>Gaudenzia, Inc. – Community Bathrooms Renovation (Anne Arundel) Renovation of four multistall bathrooms to improve accessibility and safety at Gaudenzia’s Crownsville campus. The project will update the bathroom facilities for safety and sustainability.</p>	0.644	0.00	0.483	0.00	75%
<p>Samaritan House, Inc. – Addiction Facility Renovation and Addition (Anne Arundel) Renovation to add 15 new transitional beds for individuals seeking treatment and recovery for substance use disorder. The program currently maintains a waitlist for the 9-bed program.</p>	1.024	0.00	0.768	0.00	75%
<p>People Encouraging People, Inc. – Affordable Housing Renovation (Baltimore City) Renovation of six outdated rental properties with 11 units of affordable housing for individuals with behavioral health care needs.</p>	0.665	0.00	0.565	0.00	85%

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<u>Project and Description</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>Fiscal 2027</u>	<u>Future Request</u>	<u>State Share</u>
<p>The Family Recovery Program, Inc. – Addiction and Mental Health Facility Renovation (Baltimore City) Renovation of a building in downtown Baltimore to expand services for court-involved individuals whose families are affected by substance use and mental health disorders. Upgrades are needed to improve building access and enable the implementation of an outpatient treatment program.</p>	4.544	0.00	2.500	0.00	55%
<p>Cornerstone Southern Maryland – Mental Health Facility Renovation (Calvert) Renovation of existing facility to expand an onsite psychiatric rehabilitation program and overall operational efficiency of the program. The existing facility is 30 years old and requires upgrades to meet safety and accessibility needs of clients as well as align with trauma-informed care best practice.</p>	0.500	0.00	0.450	0.00	90%
<p>Anthony Wayne Rehabilitation Center for the Handicapped and Blind, Inc. – Supportive Housing Acquisition (Carroll) Acquisition and renovation of two homes to provide community-based supportive housing for eight individuals with developmental disabilities, co-occurring mental health disorders, and/or forensic backgrounds.</p>	1.150	0.00	0.770	0.00	67%
<p>Carroll County Youth Services Bureau, Inc. – Mental Health Facility Renovation and Addition (Carroll) Renovation and addition to existing facility to provide intensive wraparound care for individuals with behavioral health care needs. The project will add meeting space, expand storage, and add laundry and full bathroom facilities for clients.</p>	11.275	3.00	1.00	0.00	36%

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<u>Project and Description</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>Fiscal 2027</u>	<u>Future Request</u>	<u>State Share</u>
<p>Housing Unlimited, Inc. – Affordable Housing Acquisition (Montgomery) Acquisition of four affordable rental housing units to provide permanent supportive housing to low-income adults with serious and persistent mental illness. The new units will house 10 additional adults and help the grantee organization expand its services to address its 200-person waitlist.</p>	1.300	0.00	0.977	0.00	75%
<p>The Arc Prince George’s County – Affordable Housing Acquisition and Renovation (Prince George’s) Acquisition of one group home and renovation of six existing group homes for individuals with intellectual and developmental disabilities. The new home will accommodate 4 individuals, and the existing units house 19 individuals. The project will update the homes to include accessible doorways, kitchens, and bathrooms.</p>	1.335	0.00	1.00	0.00	75%
<p>Community Options, Inc. – Supportive Housing Acquisition (Statewide) Acquisition of four four-bedroom homes for supportive housing for 16 adults with developmental disabilities. The homes are located in Frederick, Howard, Montgomery, and Prince George’s counties. Existing program residences are at capacity. This project will expand group home capacity to serve additional clients and address waitlists for community-based housing and support.</p>	4.219	2.00	1.164	0.00	75%
Total	\$27.087	\$5.00	\$10.00	\$0.00	

SF: square feet

Source: Department of Budget and Management

Federally Qualified Health Centers Grant Program

MDH provides grants to private nonprofit organizations that have been designated by the federal government as FQHCs. To qualify for designation as a FQHC, an area must first be designated by the federal government as a medically underserved area or serve a medically underserved population based on criteria established by the U.S. Department of Health and Human Services (HHS). The centers, which must offer services to all people regardless of their insurance status or ability to pay, provide primary, preventive, and specialty health care services on a sliding scale. FQHCs also receive funding from the Health Resources and Services Administration in HHS. In Maryland, these facilities provide health care to more than 360,000 individuals annually, nearly half of whom use Medicaid as their primary insurance, and about 40% of whom live below the federal poverty level. The State provides grants for up to 90% of eligible capital costs for the acquisition, design, construction, renovation, and equipping of FQHCs. FQHC operating costs are supported by federal grants and Medicaid reimbursements for eligible services. **Exhibit 2** shows proposed FQHC grant program projects for fiscal 2027, totaling \$3.5 million; two projects have received prior funding under the program, and none request future support.

Exhibit 2
Fiscal 2027 Federally Qualified Health Center Grant Program Projects
(\$ in Millions)

<u>Project and Description</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>Fiscal 2027</u>	<u>Future Request</u>	<u>State Share</u>
Western Maryland Healthcare Corporation – New Primary Care Facility Expansion (Allegany) Renovation of facility in Cumberland to expand access to primary care and support services, including a community pharmacy.	\$1.156	\$0.00	\$0.867	\$0.00	75%
Total Health Care, Inc. – New Elevator for South Baltimore Health Center (Baltimore City) Construction of a new elevator, which will enable full access to services on the second floor of the facility. The health center serves neighborhoods in South Baltimore City and North Anne Arundel County.	0.625	0.00	0.469	0.00	75%

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<u>Project and Description</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>Fiscal 2027</u>	<u>Future Request</u>	<u>State Share</u>
Total Health Care, Inc. – Open Gates Health Center Facility Renovation (Baltimore City) Renovation of existing facility to increase access to behavioral health, family practice, pharmaceutical, and oral health services to accommodate an additional 2,700 patients. The project will increase the number of rooms, increase laboratory capacity, and expand waiting room and staff space.	0.219	0.00	0.164	0.00	75%
Greater Baden Medical Services, Inc. – New Clinic Facility (Prince George’s) Constructs a new facility to consolidate three clinic sites in Capitol Heights and serve growing demand for health services in the area. The project constructs a 40,000 GSF facility on newly acquired property. The fiscal 2026 capital budget included \$2.9 million for land acquisition for this project under the Miscellaneous Capital Grant Program.	18.046	2.462	1.00	0.00	19%
Three Lower Counties Community Services, Inc. – Behavioral Health Care Facility Acquisition (Worcester) Acquire new 17,000 GSF facility to increase crisis response and other behavioral health care capacity in Worcester County. The project will accommodate up to 34 providers to serve approximately 3,000 additional patients annually.	5.820	0.980	1.00	0.00	34%
Total	\$25.866	\$3.442	\$3.500	\$0.00	

GSF: gross square feet

Source: Department of Budget and Management

Appendix 1
Executive’s Operating Budget Impact Statement – State-owned Projects
Fiscal 2027-2031
(\$ in Millions)

	2027	2028	2029	2030	2031
Demolish Decommissioned Buildings					
Estimated Operating Cost	\$0.000	-\$0.009	-\$0.009	-\$0.009	-\$0.009
Estimated Staffing	0.00	0.00	0.00	0.00	0.00
Clifton T. Perkins Hospital Center North Wing					
Estimated Operating Cost	\$0.000	\$0.000	\$2.713	\$2.806	\$2.903
Estimated Staffing	0.00	0.00	31.00	31.00	31.00
Total Operating Impact					
Estimated Operating Cost	\$0.000	-\$0.009	\$2.704	\$2.797	\$2.894
Estimated Staffing	0.00	0.00	31.00	31.00	31.00

Savings from the Demolish Decommissioned Buildings project beginning in fiscal 2028 are attributed to the disconnection of electrical and water utilities at the RICA – Baltimore facility on July 1, 2026. Operating costs for Perkins increase by more than \$2.7 million annually, beginning in fiscal 2029. Costs are driven largely by salary expenditures for the 31 additional staff who will work in the new wing. While the number of beds will decrease slightly, the maximum-security unit will require a higher staff-to-patient ratio.