

**Department of Legislative Services**  
Maryland General Assembly  
2019 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 164 (The President, *et al.*) (By Request - Administration)  
Budget and Taxation and Finance

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**Maryland Department of Health - Capital and Grant Programs - State Grants**

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This Administration bill increases the percentage of eligible costs that a State grant may cover, after federal funds have been applied, from 50% to 75% for specified projects and from 75% to 90% for specified projects eligible for poverty area funding within the Maryland Department of Health's (MDH) Community Health Facilities Grant Program and Federally Qualified Health Centers (FQHC) Grant Program.

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**Fiscal Summary**

**State Effect:** The bill primarily alters the purposes for which existing funds may be used. To the extent it requires administrative changes, MDH can handle them with existing resources.

**Local Effect:** Local revenues for individual projects increase to the extent that grant funds are awarded with a higher State share of funds. Local matching expenditures decrease to the same extent.

**Small Business Effect:** The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

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**Analysis**

**Current Law:** Chapter 214 of 1990 established the Community Mental Health, Addiction, and Developmental Disabilities Facilities Capital Program (now known as the Community Health Facilities Grant Program). Grants awarded under this capital program may be used for projects involving a community mental health, addiction, or developmental disabilities

facility that is wholly owned and operated by a county, municipal corporation, or nonprofit organization.

Chapter 277 of 2005 established the FQHC Grant Program. Grants awarded under this capital program may be used for projects involving a facility designated as an FQHC under § 330 of the Federal Public Health Service Act, 42 U.S.C. 254b and wholly owned and operated by a county, municipal corporation, or nonprofit organization.

Under either grant program, any county, municipal corporation, or nonprofit organization that is sponsoring a project involving the construction, acquisition, renovation, or equipping of the above specified facilities in the State may apply to MDH for a State grant to be applied toward the cost of that project.

A State grant must provide up to 50% of the eligible costs remaining after any federal grant is applied, unless the project is designated as eligible for poverty area funding, in which case a State grant must provide up to 75% of the eligible costs remaining after any federal grant is applied. The county, municipal corporation, or nonprofit organization sponsoring the project is responsible for providing local matching funds for the remaining proportion of the cost. Community Development Block Grant funds are considered to be local matching funds for this purpose, rather than federal grant funds.

## **Background:**

### *Community Health Facilities Grant Program*

MDH's Community Health Facilities Grant Program is considered an integral part of the State's efforts to facilitate the deinstitutionalization of the mentally ill and developmentally disabled by assisting in the funding of residential facilities within the community. It also seeks to develop community resources to prevent institutionalization of the addicted. The Governor's proposed fiscal 2020 capital budget includes \$6.5 million in general obligation (GO) bond funding for six projects: (1) Project PLASE, Inc.; (2) Key Point Health Services, Inc.; (3) People Encouraging People, Inc.; (4) Prologue, Inc.; (5) Cornerstone Montgomery, Inc.; and (6) Main Street Connect, Inc. Four of the six projects are to be funded with State grants covering 75% of the cost; the remaining two programs, Project PLASE, Inc. and Main Street Connect, Inc., are to be funded with State grants covering 47% and 40%, respectively. The total funding includes \$1.0 million that is reserved for statewide recovery residences projects.

### *Federally Qualified Health Centers Grant Program*

FQHCs are private, not-for-profit health care centers that provide comprehensive primary and preventive care to all individuals, regardless of insurance status or their ability to pay.

FQHCs exist in areas where economic, geographic, or cultural barriers limit access to primary health care for a substantial portion of the population. Maryland has approximately 20 FQHCs that provide more than 134 service delivery sites. To qualify for designation as an 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.

The Governor's proposed fiscal 2020 capital budget includes \$2.5 million in GO bond funding for four FQHC projects: (1) Baltimore Medical System, Inc.; (2) Choptank Community Health System, Inc.; (3) Greater Baden Medical Services, Inc.; and (4) Three Lower Counties Community Services, Inc. Two of the projects will be funded with State grants covering 75% of the cost; the remaining two, Choptank Community Health System, Inc. and Greater Baden Medical Services, Inc., will be funded with State grants covering 22% and 64%, respectively.

**Additional Comments:** MDH advises that the bill likely results in additional grant applications. In addition, MDH indicates that a majority of the projects that apply for and are awarded Community Health Facilities and FQHC grants qualify for poverty area funding and, thus, receive the higher proportion of allowed grant funding. DLS advises that to the extent any additional funding is directed toward these grant programs, spending in the capital budget does not increase; instead, less funding is available for other projects.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 155 (The Speaker, *et al.*) (By Request - Administration) - Appropriations.

**Information Source(s):** Department of Budget and Management; Department of General Services; Maryland Department of Health; Board of Public Works; Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2019  
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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Department of Health – Capital and Grant Programs – State Grants

BILL NUMBER: SB 164/HB 155

PREPARED BY: Atif Chaudhry, Director Office of Capital Planning, Budgeting, and Engineering Services

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

**OR**

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

Increasing the State's share of capital funding for certain eligible projects will likely increase the number of providers seeking funding under these grant programs. It is anticipated that providers who previously were reluctant to apply due to the difficulty in raising the required matching funds may be more inclined to participate.

A potential increase in the number of capital projects funded under the Community Health Facilities Grant Program and the Federally Qualified Health Centers Grant Program may result in additional design, construction, renovation, and equipment projects that engage the services of small businesses.