

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1067
Appropriations

(Delegates King and Bromwell)

State Law Enforcement Officers - One-Time Bonus

This bill establishes that certain sworn law enforcement officers – those in State Bargaining Unit I – must be paid a one-time \$5,000 bonus in either fiscal 2011 or 2012. However, the bill expresses the intent of the General Assembly that the one-time bonus be paid during fiscal 2011. The bill also establishes the State Law Enforcement Officers' Bonus Fund and requires that \$8.5 million of the State transfer tax be distributed to the fund in fiscal 2011 so that the Department of Budget and Management (DBM) may disburse the bonuses. This distribution is given second priority under the bill as revenue from the transfer tax must first be used to make debt service payments on any bonds secured by transfer tax revenues in previous years.

The bill takes effect July 1, 2010, and terminates June 30, 2012.

Fiscal Summary

State Effect: The bill has no net effect on State finances; however, funding intended for the Department of Natural Resources (DNR) and the Maryland Department of Agriculture (MDA) for resource conservation is repurposed in FY 2011, allowing 1,694 sworn law enforcement officers to receive \$5,000 bonuses. It is anticipated that, after the bonuses are disbursed, \$30,000 remains in the State Law Enforcement Officers' Bonus Fund. These monies are then deposited in a special fund of the Comptroller as specified by the bill.

Local Effect: The bill reduces local Program Open Space (POS) funding from the State to local governments by about \$3.1 million in FY 2011. Local government finances are not affected in future years.

Small Business Effect: None.

Analysis

Current Law/Background: The State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another has been used to fund several programs in DNR and MDA. Before any program-specific allocations are made, 3% of the transfer tax revenue is distributed to DNR and the other agencies involved in POS for their administration of the program.

Approximately 76% of the remaining transfer tax historically has been allocated to POS, which has two components: a State share and a local share. All other funds are allocated to the Rural Legacy Program, agricultural land preservation, and the Heritage Conservation Fund.

POS, established in 1969 and administered by DNR, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. The State share of POS focuses on the acquisition of land for natural resource conservation with the inclusion of low-impact recreational activities where appropriate. The local jurisdictions' share of POS is used primarily for the acquisition and development of high-impact recreational sites and facilities. As of January 6, 2010, the State share had preserved 302,538 acres and the local share had preserved 44,205 acres.

Law enforcement officers in State Bargaining Unit I are exempt from the fiscal 2010 furlough plan for most other State employees because they are "24/7" employees. Even so, these law enforcement officers are subject to temporary salary reductions in fiscal 2010. The salaries of officers who earn less than \$39,999 are being reduced by the equivalent of three work days; the salaries of officers who earn more than \$40,000 are being reduced by the equivalent of five work days. These salary reductions are less than the \$5,000 bonus they would receive under the bill.

State/Local Fiscal Effect: The Governor's proposed fiscal 2011 budget includes nearly \$97.3 million in transfer tax revenues. The bill's mandated fiscal 2011 transfer of \$8.5 million to the State Law Enforcement Officers' Bonus Fund reduces transfer tax revenues to about \$88.8 million. As a result, fiscal 2011 funding is reduced for several programs housed within DNR and MDA. Some programs – such as the Maryland Department of Planning's (MDP) Maryland Heritage Areas Authority – receive a predetermined amount of funding, instead of a percentage of available revenues and, thus, their allocations are not affected. **Exhibit 1** summarizes the bill's effect on transfer tax revenues.

Exhibit 1
Changes to Fiscal 2011 Transfer Tax Allocation due to HB 1067

		Affected Programs		
<u>Agency</u>	<u>Program</u>	<u>Current Law</u>	<u>Under the Bill</u>	<u>Difference</u>
DNR	Program Open Space (State)	\$32,587,765	\$28,846,596	\$3,741,169
DNR	Program Open Space (Local)	12,352,843	9,254,785	3,098,058
DNR	Administration Costs	4,496,730	4,241,730	255,000
MDA	Maryland Agricultural Land Preservation	15,814,797	14,409,024	1,405,773
		Unaffected Programs		
DNR	Maryland Parks Service	22,200,000	22,200,000	N/A
MDP	Maryland Heritage Areas Authority	3,000,000	3,000,000	N/A
	Debt Service	6,800,000	6,800,000	N/A
Total Change		\$97,252,135	\$88,752,135	\$8,500,000

Source: Department of Legislative Services

The Budget Reconciliation and Financing Act of 2010 (SB 141/HB 151) proposes the transfer to the general fund of more than \$54 million in State transfer tax funds, contingent on the authorization of general obligation bonds to replace the funding.

According to DBM, there are 1,694 sworn police officers in State Bargaining Unit I. Each of these officers receives a one-time \$5,000 bonus due to the bill. Therefore, the total amount paid from the State Law Enforcement Officers' Bonus Fund is \$8,470,000. The bill specifies that remaining funds are payable to the Comptroller for deposit into a special fund.

Legislative Services advises that, although the transfer occurs on July 1, 2010, the Governor may not be compelled to disburse the funding for the bonuses until July 1, 2011. However, because the bill expresses legislative intent to pay the bonuses in fiscal 2011, Legislative Services assumes that bonuses are paid to eligible officers in fiscal 2011.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Budget and Management; Department of Natural Resources; Department of State Police; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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